

freeing flows of goods and knowledge. Globalization and liberalization were for now, mutually reinforcing. We saw this as an extremely potent and powerful driving force.

But we also saw that continuing liberalization was not necessarily inevitable. There are two faces to the liberalization revolution—two opposing forces that would drive the two scenarios we saw unfolding for the world. On the one hand, liberalization offers enormous opportunities to individuals, groups, companies, and societies to improve their lives. If these opportunities are seized and if they are realized, hope and expectation will generate pressure for further economic and political change. A positive feedback loop is formed—a virtuous circle occurs.

On the other hand, liberalization can threaten many people, who fear they could lose what they presently value—their national, religious, and cultural identity; their political power; their economic position. This could lead to a growing atmosphere of fear and resistance and a resulting negative feedback loop.

We saw the world at an important turning point—what might be termed a “hinge of history.” The liberalization might continue to spread into a world of rapid and unsettling change, with vast new competitive markets opening up in the developing countries. We saw this as *Scenario A*, which we ultimately called *New Frontiers*. On the other hand, liberalization might be resisted and restricted, resulting in a world of divisions and barriers—a world deeply divided with huge disparities in wealth, with widespread poverty, urban crime, and the disregard for the environment that inevitably accompanies desperation and hopelessness. This we dubbed *Scenario B*, later called *Barricades*.

The team was unanimous in its view of this underlying structure. It was also in complete agreement about the story of *Barricades*. Our research told us that this scenario could easily unfold in history.

THE STORY OF BARRICADES

In the instability that follows the Cold War, no visionary “new world order” develops. With problems at home, even like-minded countries cannot reach agreement. GATT talks break down, and a tension grows in the relationships between the United States and Japan, and between the U.S. and the European Community.

But the biggest fissure is between the rich and the poor countries of the world. The rich fear the turbulent politics of the poor world. They see its spill-over effects in refugees, lawlessness, the drug trade, and environmental damage, and they want to insulate themselves. They are repelled by what they see as alien values: for example, Islamic fundamentalism and the tribal blood-letting in the Balkans, the Caucasus, and Africa. They avert their attention inward and take steps to isolate themselves from these impoverished and disease-ridden countries.

For their part, poor-country governments are suspicious of the motives of the rich, remembering their history of colonial exploitation, gunboat diplomacy, and political destabilization. The endless portrayal of rich societies as selfish, godless, amoral, and racist creates a deep alienation. Fear and suspicion rule on both sides.

The fissure widens as the rich find ways of excluding the poor through immigration controls and restructured import regimes. The poor sometimes have to be kept out physically or repatriated, as in the late 1990s, when, according to this scenario, a fundamentalist coup in Algeria sends a flood of refugees into France. The Germans deal with the Poles and Russians, the United States with the Central Americans, and the Japanese with the Chinese and Koreans in a similar way. They learn through experience that ruthlessness works politically, just as, historically, the Italians had learned in dealing with the Albanians, and the Americans had learned with the Vietnamese and Haitian boat people. In this scenario, migration policy provides a catalyst that helps fuse the European countries together in a tight and exclusive European Union. Technology helps to marginalize the poor. Automation makes cheap labor less important, while advanced telecommunications and computer networking bind the rich of the world closer together in shared systems that exclude those who cannot afford access.

But after the turn of the century, growth among the economically isolated rich countries stagnates. There is no boost from demand in poor countries. The labor force is decreasing. Environmental and social costs reduce productivity. The aging population means that both savings rates and investment rates are low, and political special-interest groups paralyze consensus building. Consequently, deficits continue to grow.

As the liberalization revolution proceeds in poor countries, it becomes clear that distinctive national tradition and culture are much more important than was

believed in the heady days of the early 1990s, when the same recipes for economic growth were indiscriminately applied in Pakistan as in Poland or Peru. Indian and Mexican reforms get some results, but in Russia and Africa, no armies of entrepreneurs are waiting to create a dynamic new business sector. Foreign investors hold back, worried about the risks and waiting for the results. In countries where politicians have promised rapid results from economic reform, people cannot understand why their living standards do not rise and why they are being asked to make sacrifices for the future by saving more.

The process is traumatic and disillusioning. Outward-oriented liberalism is not seen to bring the benefits that were expected of it. Policymakers turn to the experience of "national capitalism" seen in Japan and South Korea. The "Korean model" is particularly attractive: deregulation and privatization do not involve ceding control to foreigners or upsetting vested interests. Free trade applies to exports, but not to imports.

In some countries, this more nationalistic approach to capitalism involves a painful change of direction. In the scenario, a crackdown occurs in China when moderates become alarmed at the way dynamic Guangdong province in southern China is becoming a breeding ground for corruption, criminal gangs, and prostitution, and so throw in their lot with conservatives. Together they agree to a much more carefully regulated market system and the exclusion of morally corrupting influences from the West. Elsewhere, old models that reflect a perceived need for "indigenous solutions" are revived. The new Hindu fundamentalist government in India promises it will continue with liberalization only where this is consistent with "Indian dignity." The Russian economy is much worse even than the U.S. economy during the Great Depression. Yeltsin's doomed experiment in liberalization limps along for several more years, provoking mounting disgust at the corruption, gangsterism, greed, hardship, moral degradation, and unfairness of Western capitalism. In many societies, globalism is associated with Western intrusion and dominance. In the Islamic world, particularly, Western ideas and values are rejected as "cultural pollution." The growing influence of Islamic fundamentalism is an indirect cause of the turbulence in much of the Middle East and central Asia, and a source of constant hostility where it directly confronts Christian or Hindu cultures.

In many countries, the hopes of those wanting to make a decisive break with the past—to modernize, to see big improvements in living standards, to catch up with the West—are sadly disappointed. The tensions of perpetual frustration, manifested in organized and petty crime, political instability, and sporadic violence, are felt most acutely in the big cities of the poor world. The overall environment in many African, Latin American, and Asian countries is such that few multinational companies are interested in investing, even when governments offer big tax breaks to entice them.

In trade, as with migration, the rich erect barricades against the poor. For example, the greater concern about the environment in rich countries leads to costly regulations, which lead to a widening gap in production costs between the rich and the poor. To level the playing field in relation to poor countries that do not have such regulations, rich countries impose various "green tariffs," gradually squeezing poor-country products out of rich-country markets. For most poor countries, the avenue of export-led growth is effectively closed.

Underlying this new international order is the ability of the rich world to sustain indifference to the poor world's problems. The problems of poverty and instability in the poor world seem beyond solution. The hostility of Western electorates to aid programs, "cheap imports," and migrants from "overpopulated" neighbors is palpable. Again and again, pressing problems that require long-term solutions are met by indifference and the hasty erection of barricades.

By the end of the first decade of the twenty-first century, the self-reinforcing problems of overpopulation, resource depletion, disease, and increasing lawlessness cause a tidal flow of migrants beating against the "golden curtains" of the rich. Environmental scarcity and diminishing natural resources—particularly water depletion—inflame existing hatreds. Large-scale border upheavals occur, and the poor countries become increasingly ungovernable. The distinction between war and crime in the poor countries becomes increasingly blurred, and criminal anarchy emerges as a significant strategic danger to the rich countries.

By the beginning of the third decade of the twenty-first century, the scale of the problems in the world of *Barricades* is overwhelming. As neglected problem areas deteriorate rapidly and tensions escalate, there is serious doubt as to whether the barricades can hold.