

Book Reviews

World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability

Amy Chua. 2003. New York: Doubleday. ISBN: 0-385-50302-4. \$26.00.

Reviewed by Michael A. Anderson, Washington and Lee University (VA).

The poor will always be among us, but that hasn't stopped economists, Christian economists among them, from working hard to find ways to diminish poverty's hold. Their work has created something like a consensus view among the policy-making institutions on how to address poverty in low-income countries. The IMF and the World Bank are guided, on the one hand, by neoclassical models that demonstrate the merits of open markets, and on the other hand by a kind of muscular pragmatism that favors open political environments over authoritarian rule. At the risk of caricature, the preferred paradigm goes like this: create a stable macro environment (get government deficits and inflation under control, untangle the rules that bind the exchange rate, and allow money markets room to determine interest rates), open the economy to international trade (lower tariffs, eliminate quotas and domestic content rules), and allow the movement of capital. Although authoritarianism was once winked at in the hopes that, like Pinochet in Chile, strong governments could push through needed reforms, it's now widely argued that the absence of democracy makes corruption worse and that good government is a necessary element in any development strategy. Put these pieces in place, the story goes, and there's hope for a virtuous cycle of reinforcing events that bring both economic growth and poverty reduction.

After reading Amy Chua's book, one might be tempted to say that economists have focused myopically on the dry numbers of GDP and export growth, while ignoring the fires burning in the street. Her thesis is that democracy and globalization often combine to worsen ethnic tension, sometimes to the point of unspeakable violence like the massacre of the Rwandan Tutsis by their Hutu neighbors, or the periodic violent persecution of ethnic Chinese in South-East Asia. The key to her story is the presence of economically-dominant ethnic minorities in many of the nations of the world. These regional ethnic minorities benefit disproportionately, and are perhaps the only beneficiaries, from globalization while the majority flounders. Globalization benefits only a few, while democracy, in turn, allows opportunistic, race-baiting politicians to harness the inevitable majority anger and to come to power under a banner of revenge and retaliation. Taken to another level, Chua uses this approach to explain why the United States is

so hated; the world's citizens see the United States prosper vastly more than other nations from globalization, and respond in ways similar to their anger at local elites.

This well-argued book has much to commend it. Most important is the new and troubling lens that she has given us to view recent and historical episodes of violence and genocide. For economists more accustomed to models and econometrics she offers jarring reviews of the relationship between wealth and power, on the one hand, and ethnic identity, on the other. The relationships are spelled out in story and metaphor, rather than in correlations and regression analysis. Ethnic Chinese dominance in Burma's economy ("Chinese dominate Burmese commerce at every level of society"), the early rise of Jews among Russia's elites (six of the seven early oligarchs are Jewish), and the Ibo in Nigeria ("Ibo sub-communities dominate key economic sectors") are among the examples in the text.

More disturbing still are the accounts of local politicians using the rhetoric of racism and revenge to gain a majority following. While Hutus in Rwanda had a long history of resentment of, and occasional violence against, their economically dominant Tutsi neighbors, it wasn't until the political liberalizations of the 1990s that mass violence was seen, stirred up by Rwanda's Hutu leader. This stirring was, ironically, made more effective by freedom of the press. Chua notes that a local paper *Wake It Up* had a great deal of influence in creating and maintaining the slaughter. In another example Chua notes how popular the now-convicted war criminal Slobodan Milosevic was among ordinary Serbs. The Serb Orthodox Church pronounced his nationalism a "new holy crusade" while, according to Chua, "his chief hatemonger was roaring to hysterical crowds, 'We will kill Croats with rusty spoons because it will hurt more!'" The final piece to the puzzle is the substantial economic disparity, the relative poverty, of the Serbian province relative to northern provinces of the former Yugoslavia.

Chua is too sophisticated to offer a mono-causal story about the sources of genocide in Africa or Europe, but she does maintain the idea that democracy and globalization are key elements in understanding these and lesser acts of violence and repression. There are other stories here too, examples in South America, the Middle East, the Philippines, and others. These other stories have less blood in them than the first two, but plenty of hatred and misery, and in Chua's telling they seem to possess the potential for greater violence given the right leader at the right time.

The other thread running through this book is the idea that the West, and the development agencies that it funds, are enthusiastically encouraging the rapid acceptance of laissez-faire capitalism, a model the West does not itself follow, and universal-suffrage-based democracy, a political model the West adopted only over long periods. While Western nations diffuse tension with a tax-and-transfer safety net,

the capitalism they encourage is laissez-faire (as in poor economies there isn't much to tax nor many who can be trusted to transfer). The founding fathers in the United States argued against universal suffrage (she includes a quote from Madison noting the danger to the rights of property in extending suffrage to the landless), but the West offers no model other than open democracy to those currently under authoritarian rule. In the harm resulting from the explosive combination of globalization and democracy, then, the West bears a share of the responsibility.

World on Fire consists of twelve chapters in three sections. The first section makes the case that globalization enriches the few, and enfeebles the many. The second section explains the backlash by the majority against the rich ethnic minority, and against the markets that enabled them to succeed. The final section explores the underside of democracy in the West, noting how democracy was widely limited along ethnic lines in the West precisely because of ethnic-based economic divisions.

This book is made all the more poignant for its personal side. Chua offers her aunt's brutal murder in the Philippines, and the indifference of members of the (ethnic majority) police force to investigate the incident, as an example of how ethnic-based economic resentments can separate nominal fellow citizens. Taken together the book is engaging and very well written, and it presents a strong challenge to advocates of open markets.

Unfortunately, the economics in this book is not nearly as well pinned down as the historical detail, and that leads her into mistaken conclusions and overstatements. There's no discussion in the text of how globalization (a word that goes undefined) worsens income inequality. Her language is strong: "In country after country outside the West...laissez-faire markets have magnified the often astounding wealth and economic prominence of an 'outsider minority....'" A recurring theme is that only a few benefit from globalization. She will allow only that "In absolute terms the majority may actually be marginally better off as a result of markets...."

It's hard to know what to do with the last point, given the substantial literature to the contrary. We have good evidence on two points, namely that open economies grow faster than those with heavy government intervention, and economic development does not make the poor worse off. Economic development and poverty reduction can, and often do, go hand in hand (see, for example, Deininger and Squire 1997). Chua's main point may still be valid—there's plenty of room inside of a Gini coefficient to allow a small minority to prosper disproportionately, and low-income country data in any case shouldn't be pressed too hard. Still, as hard as she leans on the notion that asymmetric benefits fuel ethnic rivalries, and given the pure assertions behind her economic reasoning, there's good reason to reexamine her conclusions.

Moreover, as intriguing as her thesis is, her examples and discussion often do not support her concerns about democracy. The examples of political backlash are drawn mostly from autocratic regimes including Marcos in the Philippines and Mugabe in Zimbabwe. The worst examples are drawn from Serbia and Rwanda, countries with at least

some form of popular support, but hardly the democracy that Chua sees as the catalyst enabling race-based political movements. Indeed, her examples could be used to make the case that semi-authoritarian governments use race hatred as a way of keeping the majority populace concentrating on matters other than political reform.

Christian economists and other economists concerned about poverty reduction would do well to read this book. Most who do read it will walk away convinced that, as a profession, we have not spent enough time thinking about the role of ethnicity in matters of income distribution and development. There have been a few hopeful starts in the literature, Rauch and Casella (2001) among them, but there is a clear need, and a clear opening, for more clear-headed research.

References

- Deininger, Klaus and Lyn Squire.** 1997. "Economic Growth and Income Inequality: Reexamining the Links." *Finance & Development*. 31:1 (March).
- Rauch, James, and Alessandra Casella.** 2001. *Networks and Markets*. New York: Russell Sage Foundation. ■

The Anatomy of Racial Inequality

Glenn C. Loury. 2002. Cambridge, MA: Harvard University Press. ISBN: 0-674-00625-9. \$22.95.

Reviewed by John D. Mason, Gordon College (MA).

Given America's unique historical experience with race, how do non-blacks practically use the fact of darker skin and other racial markers in making their decisions today, and what are the implications of these decisions for the life opportunities especially of lower-income black households? These questions frame the theoretical project of a work Loury calls a "meditation" (and, later, a sermon).

Delivered originally as the W. E. B. Du Bois Lectures at Harvard University in April of 2000, his argument seeks explanations of a disturbing pattern of socio-economic realities (illustrated in an appendix of tables and figures), such as lower performance on standardized exams, births to unmarried mothers, and victimization and incarceration rates—all significantly worse for blacks. In what most consider a national setting allowing if not begetting considerable socio-economic achievement, why have the descendants of slaves not more universally grasped the presumed opportunity, but rather experienced the cited undesirable socio-economic outcomes? Loury dismisses as lacking evidential support any notion of "essentialism" (the presumption that blacks lack the same capacity as others for seizing opportunity).

The answer, then, must lie within the distinctive historical treatment of black Americans, and how the legacy of that history plays out today. Two strategic social practices furnish the primary mechanisms at work: (1) the use of