

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

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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

racial stereotypes in making decisions and (2) the custom of perpetuating from the era of slavery damaging racial stigmas. Given this understanding of how we use race practically, Loury then takes issue with what he considers the leading school of moral philosophy today (liberal individualism) and its counsel of race-blindness—calling for a policy of race-egalitarianism as the needed replacement. The book concludes by considering policy initiatives that would satisfy this alternative ethical emphasis.

Faced with imperfect information surrounding the choices routinely confronting us, we develop various decision rules for guidance. When our choices involve dealings with blacks these decision rules inevitably will reflect the imprint of America's historical experience with race—leading to the use of racial stereotypes (probabilistic generalizations that may be true of blacks in general, though not of any individual with whom one is dealing). An unfortunate side-effect of this understandable and potentially innocent process (illustrated through a number of clever examples) is that our use of stereotypes may actually trigger the behavior embedded in the stereotypes which otherwise would not occur—an outcome Loury dubs “self-confirming racial stereotypes.” A stable social equilibrium (or convention) may well be generated through these practices, locking low-income black households into “vicious circles of cumulative causation” (borrowing from Myrdal's analysis in the 1940s).

A more sinister and morally reprehensible process has been at work throughout our history as well, the perpetuation and use of “racial stigma”—an essentialist mentality that views blacks as “other” and less capable than non-blacks in a number of important ways. This pernicious practice had its origins during slavery when blacks were viewed as dishonorable, and persists to the present in the negative “social meaning” that far too many associate with blackness—seen best, perhaps, in negative assessments of the urban black underclass. As best I understand him, these stigmatized perceptions spread within society and become reinforced through the already noted use of racial stereotypes.

Both racial stereotyping and stigmatizing transpire far more through informal social arrangements than formal economic transactions, leading to a distinction he draws between discrimination in contact versus discrimination in contract. The latter form has been addressed for decades through a series of laws and bureaucratic initiatives; discrimination in contact causes greater damage today and is far more difficult to attack through conventional policy means.

The moral thrust of his social analysis now becomes clear—the currently dominant policy of “race-blindness” must be replaced by a policy of “race-egalitarianism” in order to crack effectively the hold that a long history of racial stereotyping and stigmatizing maintains upon our society. A policy of race-blindness, put in place following the grave inequalities created during slavery and the Jim Crow era of legalized discrimination, lacks the potential to correct for these injustices and leaves the social networks in place that propagate the stereotyping and stigmatizing practices. It is a “superficial moral stance...[and] should be rejected.”

Race-neutrality emerges from the normative theory of “liberal individualism,” constructed primarily to discern the right ordering of the state vis-à-vis the individuals who comprise society. This (orthodox) moral philosophy focuses so strongly upon individuals that it fails to grasp how social meanings form and social networks function; “the phenomenon of racial stigma poses intractable problems for liberal individualism.”

An appropriate policy response, therefore, must correct for the historic injustices generating the current state of racial inequality—an enterprise, it appears, calling for some form of historical reconstruction. He distances himself from the reparations debate, petitioning instead for “a commitment on the part of the public...to take responsibility for such situations as the contemporary plight of the urban black poor...”

Redistributing resources to improve the urban black poor schooling experience can be understood in conventional policy terms, as can instructing educational personnel to improve “the racial composition of the learning environment” (albeit one suspects this instruction has been issued for years, what more or different does he have in mind?). Pursuing through these channels the “insidious habits of thought, selective patterns of social intercourse, [and] biased processes of social cognition,” however, makes greater demands upon our imagination. “[F]ar-reaching structural reform” is needed to “eliminate the objective disparity in economic and social capacity between the race-segregated networks of affiliation that continue to characterize the social structure of American public life.” A second set of lectures seems needed to flesh all of this out.

Two years following the publication of a book that has been reviewed extensively, what more can this reviewer offer? Having for years taught and thought about the questions at issue here, I find his social analysis generally persuasive. As he worked through the stereotyping and stigmatizing arguments, however, I found myself wondering why the misperception and attendant mistreatment of blacks by non-blacks does not present an entrepreneurial opportunity to offer jobs and/or services reflecting the true potential and behavior of blacks. I suspect he views the stigmatizing process as simply overwhelming this potential, yielding the social equilibrium he posits.

For two decades now I have struggled to understand the dynamic processes surrounding American cities, and particularly how it is that we allow to fester for so long conditions packing harmful potential for those who live in the poorer neighborhoods. Most perplexing to me, given our broader history, is why we have allowed a primary engine of opportunity, the public schooling process, to remain so badly provided within these poorer neighborhoods. Loury pursues the same questions.

A general sympathy for localism (race and income aside) seems to play a leading role. Another actor is the Tiebout process of families moving among localities (pursuing better schools, primarily), with the dynamic implications of this movement for relative housing prices—serving to concentrate poorer households into the least desirable

neighborhood: a process driven, it would seem, by class more than race. Loury's analysis helps us grasp the unique role that race plays. In that a disproportionate share of those residing in these neighborhoods are black, the stereotyping and stigmatizing practices convince us that little will change by taxing ourselves to do something more, and thus we are slow to act—at the least a sin of omission.

To conclude, I return to the difficult question of creating a policy agenda designed to root out harmful stereotypes and stigmas—the weakest part of the argument for most reviewers. I find Loury's evaluation of the insufficiency of liberal individualism compelling, and add the following: in a world of scarcity any moral philosophy worth pursuing must contain a psychology of sacrifice. Consider (e.g.) John Rawls' impressive effort. We can approach, through his framework, a specification of desired processes and outcomes, but why would a self-interested citizen—even one properly playing their role behind the veil—necessarily sacrifice towards the construction of the desired processes and outcomes? More likely, they would choose to free-ride off the presumed efforts of others (all the while making sure their children are enrolled in a “good” school, of course), with little change taking place.

Herein lies the value for moral philosophy today of the biblical tradition, which does offer us a “psychology” of sacrifice: that Jesus Christ suffered gravely for each one of us to effect our salvation, and therein to lay the foundations for a truly just and righteous social order, and He calls each one of us to sacrifice in turn for others (and especially for those in our midst who are most vulnerable). This solution to the free-rider problem appeals not only to the agency of government (as necessary and important as this appeal is) but also works through voluntary efforts to pursue the fullness of God's desired shalom for this world—where there will be “neither Jew nor Greek, slave nor free [white nor black], male nor female, for you are all one in Jesus Christ” (Gal. 3:28). Working out how liberal individualism might integrate into its project the sacrificial call of the biblical tradition, so as to complete the agenda Loury puts before us, will require yet another set of lectures.

Finally, given the awkwardness (if not impossibility) of using the structures of government to attack the social networks which lie at the heart of the current dilemma, and given his pioneering earlier work on the concept of “social capital,” I was surprised to find so little emphasis in his concluding chapter upon the crucial role played by the institutions of “civil society”—institutions (like the family, church bodies, and distinctive moral sympathies) which lie between the individual and the government. If, as he argues, reform only becomes possible when we begin to ask “what manner of people are we who accept such degradation in our midst?,” these lectures might better have been delivered to the church bodies and other voluntary associations of the land rather than at Harvard. But, then, Harvard asked him. ■

Saving Adam Smith: A Tale of Wealth, Transformation, and Virtue

Jonathan B. Wight. 2002. Upper Saddle River, NJ: Prentice-Hall. ISBN: 0-13-065904-5. \$24.00.

Reviewed by Kenneth G. Elzinga, University of Virginia. (Under the pen name of Marshall Jevons, Elzinga is the coauthor of three mystery novels whose hero uses economic analysis to solve the crimes.)

Jonathan Wight's *Saving Adam Smith* is described on the dust jacket as a “novel of markets and morals.” It is a work of fiction that endeavors to tell a tale and to teach a lesson. It deserves to be reviewed at both levels. First, is it a good read? Second, does it advance the ball in communicating and understanding the subject of economics?

Wight's story is built around two strangers whose lives become linked: a young economist trying to complete his doctoral dissertation and an old man who hears voices (or, rather, one voice). The voice is that of Adam Smith. The old man does not claim to be a reincarnated Adam Smith, nor does he claim that Adam Smith speaks through him from the grave. Instead, when the old man speaks, the words that come out of his mouth often are the very words that Smith once wrote in either *The Wealth of Nations* or in *The Theory of Moral Sentiments*. Wight cleverly fits Smith's words into the book's dialogue. If you think this cannot be done, you should read this book. Smith's writings from centuries ago appear in the midst of a contemporary adventure story with an ancillary love story. In the process of crafting the book, Wight demonstrates his remarkable familiarity with what Smith wrote.

Wight's ability to weave Smith's writings into the story line is engaging. He pulls off what seems to be a reckless literary device: that Adam Smith actually has “returned” in the statements of Wight's fictional character. I found myself entering into this fictional world more readily than believing that a graduate student, under enormous pressure to complete a dissertation, would drive cross country seeking a secluded place to write. But in Wight's defense, novels (especially adventure stories and murder mysteries) usually have a McGuffin or two. I also appreciated Wight's practice of providing the source of everything the fictional Smith says that was written earlier by the real Adam Smith. More than once I found myself turning to the back of the book to find the answer to, “I wonder where Smith wrote that?” Is the book a good read? Yes, it is. P.D. James is not in danger of losing her job to Professor Wight, but I found the text well-written and able to carry the narrative.

Does the novel advance the ball in communicating and understanding the subject of economics? Precisely, what “markets and morals” are being taught? To answer these questions, one must understand the title Wight has chosen. The “saving” in *Saving Adam Smith* does not refer to “save” as in “salvation.” Nor does it refer to “saving” Adam Smith from his being kidnaped by Gypsies. Nor does it refer to Smith's marginal propensity to save. The title refers to