

Hong Kong prospered without either policy, and why did so many other poor nations that did adopt such policies fail to grow?

In another chapter, Stiglitz blames Russia's difficult transition from communism and its own financial crisis of 1998 almost entirely on the IMF and its demand for rapid market liberalization. He ignores the fact that Russia's initial reforms were timid and half-baked, its legal and tax systems a mess, and its trade barriers high. In 2000, nearly a decade after the fall of communism, Russia still ranked only 116th out of 123 countries rated by the Fraser Institute's *Economic Freedom of the World Report*. Nowhere does Stiglitz mention the economic and political success of Estonia, the former Soviet Republic that has moved the most rapidly toward market liberalization.

To reject the Stiglitz critique of the free market is not to defend the IMF. The IMF has peddled questionable policies for years, among them higher taxes and non-market exchange rates. By bailing out countries in distress, the IMF rescues governments from their own bad policy choices and makes future crises more likely through "moral hazard," a key economic concept that I did not find mentioned once in the entire book. Come to think of it, isn't it a bit strange that an international agency founded by governments, funded by tax dollars and driven by politics should become, to Stiglitz and other critics of globalization, the great symbol of "market fundamentalism"?

In the course of the book, Stiglitz rightly points out the economic nonsense of "fair trade" laws, the dangers of imposing rigid intellectual property rules on less developed countries, and the Western hypocrisy of espousing free trade while maintaining high barriers on goods that poor countries export. But those isolated glimmers of good sense do not begin to offset the damage done, to economic understanding and the goal of a more prosperous world, by his sustained assault on a more liberal global economy.

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

Amy Chua

New York, N.Y.: Doubleday, 2003, 340 pp.

World on Fire is a more nuanced book than the title suggests. Chua's publisher selected the title despite, so she claimed, her better judgment. Indeed, with its equally provocative subtitle, Chua's book must be read carefully as much for the things it says as for the things it does not say. The book is not a diatribe that will warm the hearts of the anti-globalization protesters. In fact, Chua acknowledges that free markets may offer the "best" economic hope in the long run.

Instead, Chua claims that "simultaneous" liberalization of the markets

and democratization in the face of a resented market-dominant minority, leads to ethnic tension and violence. That happens, she argues, because economic freedom enables the disproportionate flourishing of minorities, while democratization empowers the resentful majorities. Chua believes that the United States deserves much of the blame for spreading “unrestrained” markets and equally “unrestrained” democracies as supposed panaceas to all the world’s ills.

But Chua is wrong to assume that the United States is the primary driving force behind liberalization. Liberalization is mostly a result of the collapse of central planning. The governments that have undertaken some degree of liberalization have done so out of their own self interest and not because the United States wished it.

Chua also alleges that the United States promotes “unrestrained” capitalism overseas, while keeping markets regulated at home. If that is true, American foreign policy has been unsuccessful. None of the countries Chua mentions as hotbeds of ethnic hatred enjoys more economic freedom than the United States. In fact, some of those countries come at the very bottom of the Fraser Institute’s *Economic Freedom of the World Report*, which ranks countries according to their degree of economic freedom. Out of the 123 countries surveyed in 2002, Burma came in 122nd place and Russia in 116th place. Other countries she mentions, such as Peru and Malaysia, are freer, but still far from “unrestrained”. In the same study, those two countries ranked 45th and 51st, respectively.

Chua does not seem to care much for the differences between the actual and the perceived advances of economic and political freedom. She thus falls into the trap of overemphasizing the extent of those reforms. Still, no matter how slowly in some places, the world is undergoing a general process of liberalization and Chua clearly appreciates that economic liberalization is vital to economic progress. People cannot remain trapped in socialist dictatorships just because those political systems enforce equality of income or, to be more precise, equality of misery. Instead, she focuses on the process itself. Ethnic strife arises, she argues, because the process of liberalization is mismanaged.

Regrettably, it is there that her work is at its weakest, for Chua fails to prove the link between the process of political and economic liberalization and the occurrence of ethnic strife. The causes of ethnic strife, she writes, rest in the alignment of three preconditions—economic liberalization, political liberalization, and the presence of market-dominant minorities. The problem is that those three prerequisites seldom operate in concert. In fact, most of the world’s most shocking instances of ethnic strife either predate globalization or do not comply with at least one of the prerequisites that Chua sets.

Virtually all of the Jewish pogroms happened at the time when democracy and free markets were nonexistent or severely restricted. At the time of the Jewish expulsion in 1492, Spain was a mercantilist monarchy. At the time of the anti-Jewish pogroms in 1881 and 1905, Russia was a

pre-capitalist society ruled over by a Tsar with almost absolute powers. And, of course, Hitler's Germany was neither democratic nor capitalist.

Chua attempts to place at least some of the blame for the Holocaust at the door of the pro-market reforms of the Weimar Republic, the hyperinflation of 1922, and the Great Depression. Though the economic malaise in interwar Germany was clearly instrumental to the rise of Hitler, German anti-Semitism predated the rise of the Nazis by half a century. But the Holocaust is significant for another reason. The 1930s were the very antithesis of globalization. During the Great Depression, world trade collapsed. Contrary to Chua's main thesis, market democracies were not growing in number, but disappearing.

Chua uses other examples to support her thesis. In Malaysia, she claims, the Asian economic meltdown of the late 1990s aggravated anti-Chinese hatred. That may be true, but anti-Chinese violence in Malaysia today pales in comparison with the 1969 race riots in which a thousand Chinese were murdered. Yet, by Chua's own admission, the Malaysia of 1969 was less free than it is today.

The same applies to Uganda of 1972, when Idi Amin expelled the Indian minority. Uganda was neither politically nor economically free. Globalization was not yet in vogue. Astonishingly, Chua provides no evidence of any kind of liberalization that preceded Amin's decision. All she does is to show that Indians were disproportionately prosperous and, therefore, hated.

Chua's use of Zimbabwe under Robert Mugabe stretches her theory to a breaking point. Though he did come to power through an election that, contrary to Chua's assertion, was far from free and fair, Mugabe's first victim was the Matabele tribe. Matabeles were as poor as Mugabe's Shonas and none ever suggested economic reasons for their persecution. Instead, the Matabeles were the victims of Mugabe's cold-blooded political calculation because of their support for Mugabe's rival, Joshua Nkomo. Building upon his successes in dealing with the Matabeles, Mugabe transformed Zimbabwe into a one-party Marxist state with pro-forma elections.

It may be true that Mugabe tried to regain some of his former popularity by turning on the white settlers and Chua attempts to show that dictators do occasionally contribute to ethnic strife in order to preserve their hold onto power. But Stalin's repression of countless minorities in the former Soviet Union and extermination of millions of Ukrainians clearly does not fall into that category. Stalin was a totalitarian dictator with no concern for popular will. As with so many other instances of ethnic repression, Stalin's behavior had nothing to do with democracy and free markets. If anything, his ghastly acts were a result of the lack of a market democracy.

Yet Chua completely ignores the communist repression of ethnic minorities. Nowhere is that omission more glaring than in the case of Cambodia under the Khmer Rouge. After taking over in 1975, Pol Pot

turned much of his energies toward exterminating the Vietnamese minority and, in large part, succeeded. Yet the Cambodian bloodletting happened at the time when the country was the very antithesis of market democracy.

One example that Chua makes much of is Rwanda. The description of the Rwandan massacres is truly horrific. But Chua fails to connect the situation in Rwanda to globalization. The 1994 massacre was not the first time that Tutsis were persecuted. In 1959, 1969, and 1972 the Hutus killed and expelled thousands of Tutsis. At that time Rwanda was neither economically free nor democratic. Of course, to talk about democracy and capitalism anywhere in Africa is to dilute the meaning of the two terms. But even if Rwanda of the 1990s was freer than at any point during the previous four decades, it was still profoundly unfree. In 2002, it ranked 101st out of 123 economies surveyed by the Fraser Institute.

Another problem is Chua's failure to prove that ethnic violence was recently on the increase. She provides no tables, graphs, or empirical analysis in support of her claim. Enumeration of the ethnic problems current in the world today is not enough. The question she avoids is: Are there more ethnic problems today than 50 or 100 years ago? Instead, Chua writes as though she had just discovered interethnic hatred as a previously unknown phenomenon. As such, her thesis is profoundly ahistorical. Historical records show that ethnic violence has been around ever since people started to differentiate between "us" and "them". In Chua's book, there is a sense as though the imperfect process of globalization is somehow different—somehow more culpable. But that claim remains unsupported.

So, where does that leave *World On Fire*? To her credit, Chua presents a wealth of evidence concerning the differences in economic achievement between ethnic groups. But Thomas Sowell had done that in his trilogy of books entitled *Race and Culture*, *Migrations and Cultures*, and *Conquests and Cultures*. It would be interesting to hear what Chua has to say about the causes of differences between peoples' achievements. But, she leaves that to "others". As a contribution to the debate, Chua offers the link between globalization and interethnic strife, but that link does not withstand scrutiny. Ultimately, she leaves the reader bewildered and unsatisfied. To put it simply, in Chua's work that which is correct is not original and that which is original is incorrect.

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