

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

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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

“saving” Adam Smith from apologists of the market system who applaud *The Wealth of Nations* but ignore *The Theory of Moral Sentiments*. *Saving Adam Smith*, at its taproot, is meant to save Adam Smith from those who think he sanctioned selfishness (and not self-love); that he supported laissez-faire and saw no role for the state; that he commended businesses in all that they do; and that he was a fan of individualism and impersonal markets.

The primary Smithian themes developed through this novel are free trade (globalization) and the conduct of the multinational firm. Wight, through his fictional device, explains how fundamental Smith’s concerns with promoting justice and instilling virtue are to the viability and prosperity of the world’s economy. Smith understood, long before the contemporary work of Gary Becker, Kevin Murphy, and others, the importance of social capital. Just as George Stigler used to say “it’s all in Marshall,” *Saving Adam Smith* reminds us that at another level “it’s all in Smith”—or at least more than we might have thought.

The theme of Wight’s novel, to use Smith’s words, is to combine “the best head to the best heart.” Wight can restrain his enthusiasm for economists who adopt a clinical and dispassionate application of the neoclassical model shorn of Smith’s melding of head and heart.¹

To be sure, historians of economic thought always have understood that Adam Smith’s writings are not always on point for free market proponents. But with the shrinking of the history of economic thought as a distinct field in economics, it is as if Wight offers this novel to acquaint readers with the real Adam Smith. To Smith, business leaders are not the heroes they are in the writings of Ayn Rand. To Smith (of both *The Theory of Moral Sentiments* and *The Wealth of Nations*) there is a world of difference between selfish behavior and conduct guided by self-love. To Smith, men in Washington, D.C., who wear Adam Smith neckties to signal their affection for unfettered free trade might have the wrong guy on their cravat. They might be better advised to wear a tie bearing the likeness of Ludwig von Mises or Milton Friedman.

For prospective readers’ information: Wight’s fiction is not hard-core or potboiler stuff. He does not mimic Elmore Leonard. On the other hand, this is not a Hardy Boy adventure story either. For prospective economics teachers: Wight’s text is readily approachable for an undergraduate (or high school) student. One could assign it as a supplement to a principles course where the professor wants to acquaint students with the origins of the discipline of economics. One potential problem: the book’s length (262 pages, without the Smith references) is a bit on the long side for a “quick read.” One could also imagine it as a “fun read” in an undergraduate history of economic thought course.

Perhaps the audience most in need of this novel book are academic economists who have never read Adam Smith, neither *The Theory of Moral Sentiments* nor *The Wealth of Nations*, and are in need of “saving” from a caricature of the Master. Another audience in need of this book are professors in other fields whose view of economics is a caricature of something economics is not (or at least once was not).

Wight endeavors to save *The Wealth of Nations* from those who selectively quote from it but do not seek “the whole counsel” of Smithian scripture. My hunch is that the main contribution of *Saving Adam Smith* will not be to correct those who exegete Smith incorrectly, nor to reprimand those who quote him strategically, but simply to inform economist readers (most of whom have never read Adam Smith’s great works) of the range and depth of Smith’s contributions to moral philosophy as well as to economic analysis.

Endnote

- 1 The best head and best heart portfolio is not distinctly or overtly Christian. When “Smith” is asked what is the goal of life, he responds “It’s peace of mind” and “Tranquility of being. That’s the basis for happiness.” “To know God and to enjoy Him forever” apparently is not to be found in *The Wealth of Nations* or *The Theory of Moral Sentiments*. ■

The Mind and the Market: Capitalism in Modern European Thought

Jerry Z. Muller. 2002. New York: Alfred A. Knopf. ISBN: 0-375-41411-8. \$30.00.

Reviewed by William F. Campbell, Secretary, The Philadelphia Society and Louisiana State University (ret.).

Jerry Muller’s work, like that of most scholars, is a coral reef; it keeps adding and building on earlier growth. Drawing on his previous work on Adam Smith, Hans Freyer, and an anthology of conservative thought, Muller manages to provide the perfect complement to Mark Blaug. This is not a history of the market as an analytical concept in economics, but as a thoughtful consideration of the cultural status of the market and capitalism.

Who should read it and why? The answer is most everyone. Economists especially will benefit from having to wrestle with the anti-capitalistic ideas of many thinkers who already grant capitalism’s productivity. It’s not the productivity, stupid.

Starting with the perfectly chosen cover, the famous and familiar painting of “The Money-Changer and His Wife” by Reymerswaele, the book tells the tale of the dominance of the means over the ends. Although he doesn’t quote Ralph Waldo Emerson—“Things are in the saddle, and ride mankind”—he should.

The loss of a search for the ultimate good, the worship of efficiency, and the lack of community, freedom and productivity are the main themes of the various chapters. He is trying to explore the tensions between them rather than the contradictions.

Some of the material will be familiar to Christian economists who do history of economic thought: the first chapter on the historical backdrop covers the world of the polis and Christian economic thought through the Middle Ages. Chapters on Smith, Marx, Schumpeter, Keynes, and Hayek hit familiar names. But drawing on recent scholarship

of biographies and histories of the times and places, he puts new light on many of these thinkers that is probably unfamiliar to those who restrict themselves to more analytical treatments of them.

He draws attention to Schumpeter's *Capitalism, Socialism, and Democracy* by quoting Fritz Machlup's characterization of it as "humorous, ironic rococo." In other words, this was Schumpeter's strategy to get disaffected leftist graduate students and faculty to read defenses of capitalism. Although he doesn't make the comparison, Schumpeter was the Veblen of the right! I remember it took me a long time to appreciate Veblen's prose style as funny. Muller does not say whether Schumpeter was in his ironic mode when he stressed the "contribution made by parenthood to physical and moral strength... particularly in the case of women."

Muller mentions but does not dwell on the methodological chastity belts by which economists promote relativism. Hayek's work is described in a footnote as the "veritable theorization of indifference toward human happiness." His criticism of Hayek is basically that he does not allow anyone to explore substantive ends for human beings.

The great strength of the book is to introduce new names for economists to ponder who could not make it into a Blaug because they failed to produce new analytical tools in economic theory. Some, like Voltaire, Burke, Hegel, Arnold, and Weber are vaguely familiar to most economists as prominent European intellectuals, but most economists are really unfamiliar with their work. Muller sparkingly describes Burke, for example, as a "one-man think-tank." One can imagine that the battles in the mind and soul of this founder of conservative thought may have been similar to what must go on in the Heritage Foundation between the classical liberal and social conservative policy advisors.

An exception must be made for Weber's *Protestant Ethic and the Spirit of Capitalism*. But even those who have read, or think they have read, Weber would not come away with his liberal nationalism and the emphasis on power coming out of an imperialistic social Darwinism.

One would like to see Muller explore the implications of the Weberian fact-value distinction for the relativism of modern economic methodology. If there is no moral truth, then power is the best game in town.

But the differentiated products in this history of ideas are the Germans and Eastern Europeans like Justus Möser, Georg Simmel, Werner Sombart, Georg Lukács, Hans Freyer, and Herbert Marcuse. As an added bonus, Muller paints the historical and political background of Germany and Eastern Europe necessary for putting their ideas into context. These are all men who thought about the market in a cultural context. They exemplify the types of European scholars who are less specialized than modern-day Ph.D.s.

Most of the above thinkers share Tönnies' contrast between *gemeinschaft*, the family, small community orientation with the solidarity of shared ends, and *gesellschaft*, the calculating society without shared ends of most market oriented economists. George Simmel, however, comes across as remarkably optimistic about the ability of the market and competition to tie society together, even though he has his

doubts about the life of joyless acquisition.

Herbert Marcuse was less optimistic. Maybe it is because, as Muller says, he was "fundamentally uninterested in economics." He follows Marcuse from the Institute for Social Research in Frankfurt to Columbia University in the United States. Marcuse did not stop in England and the L.S.E. because of Hayek's opposition in the 1930s. The remarkable fact that he worked for the OSS and the State Department during World War II is duly noted.

Muller refuses to reduce Herbert Marcuse's thought to "better and more varied orgasms" and emphasizes the way in which both the Nazis and the United States have managed to unleash rather than repress basic drives (sexuality) as a method of social control. His romantic adherence to the original Marxist ideal of the multifaceted creative personality has continued to have an impact on American universities, modern educational theories, and even business/management seminars and books.

Perhaps the most interesting chapters for me were the treatments of Arnold and Hegel. Both are pro-spiritual (in a vague sense that would not please most members of ACE) and anti-mechanical (in a sense which would please many members of ACE). The pro-market side of Hegel was a big surprise to me and overcame many of my previous prejudices against Hegel.

For both, the market had to be supplemented and guided by intellectual elites. In the case of Arnold, the elites were a secularized and bureaucratized version of Coleridge's clerisy class. Although classical learning was stressed, education was to become compulsory and regulated. But Arnold still had respect for bourgeois society and the virtues of the middle-class. He was not one of the earlier Romantics or the later Aesthetes who were totally dismissive of the bourgeoisie.

Although Arnold talked about intellectuals as aliens, they were aliens of the type that most of us educated in the fifties and sixties were familiar with: liberal university professors before they dropped America and western civilization.

An interesting leit-motif of the book is the importance of anti-semitism in anti-capitalistic thought. The identification of the Jews with capitalism (both for those who are against the market and for those who support it; both for those who themselves were Jewish and those who were not) is a long and usually sorry thread.

This theme is of importance to Christians because the qualities the Jews were supposed to exemplify are the same as those that characterize most orthodox Christians today: a teleological orientation to future goals (salvation and the second coming), discipline over the hedonistic passions to ensure meeting those future goals, and a belief in sin, and guilt for that sin. Similar thoughts are found in Veblen and Keynes. Incidentally, the only error I found in the book was that Keynes' essay was "Economic Possibilities for our Grandchildren" rather than "Economic Prospects . . ."

Another theme that could have been more systematically pursued is the importance of envy and resentment in the anti-market intellectuals. The flip side is that the thinkers who emphasize the role of entrepreneurs and creative individuals, perhaps stemming from Nietzschean impulses, are usually

defenders of the dynamics of capitalism.

Muller wishes to emphasize that not all intellectuals fit into the group “whose interest it is to work up and organize resentment, to nurse it, to voice it and to lead it.” Another of the Frankfurt school theorists, Max Horkheimer, finally realized after World War II that much of contemporary anti-Americanism had taken on the function of anti-semitism providing excuses for aggressive and mindless scapegoating. On this score things have not changed very much in recent years. Muller very briefly links up this kind of resentment to the attacks of 9/11 but does not develop it. Anti-semitism and anti-Americanism have once again joined full circle. ■

A Declaration of Interdependence: Why America Should Join the World

Will Hutton. 2003. New York: W. W. Norton. ISBN: 0-393-05725-9. \$27.95.

Reviewed by Paul R. Koch, Olivet Nazarene University (IL).

Will Hutton is chief executive of the United Kingdom’s Work Foundation and columnist for the *Observer* in London, where he was formerly editor in chief. I first became aware of his work in the mid-1990s, when an Olivet alumnus referred me to his book, *The State We’re In: Why Britain Is in Crisis and How to Overcome It*, a critique of British economic policy under the Conservative governments of Prime Ministers Margaret Thatcher and John Major. While I never ran across a copy of this volume, I recalled his name when Daniel Schorr, in a National Public Radio commentary in the spring of 2002, made reference to his more recent book, *The World We’re In: How America Violates Its Own Ideals*, which eventually reached “the top ten nonfiction best-seller list in Britain” (p. ix). *A Declaration of Interdependence* is the American edition of *The World We’re In*, with some chapters updated and rewritten and others deleted.

In the preface to the American edition, Hutton writes that while *The World We’re In*

attacks Euroskepticism and makes the case for European integration around a reassertion of common European values, *A Declaration of Interdependence* tries to do the parallel job in the United States—insisting that America’s interests are still best served by strengthening and modernizing the multilateralist approach that followed World War II (p. x).

At first glance, this might appear to be a book that would hold little professional interest for readers of this journal, especially if one does not share Hutton’s social-democratic perspective on the appropriate nature of economic institutions and policies in a free society. Having read this volume, however, and having used it in an upper-division undergraduate class as a supplemental text, my conclusion is that Hutton addresses several issues in a thought-provoking manner that are definitely of concern to Christian economists.

The first issue is the role of religious faith, specifically Christianity, in the formation of the American version of democratic capitalism, as opposed to its European variants. Hutton makes the following argument in the book’s first chapter, which opens his critique of American economic, social, and foreign policy:

Early settlers believed that America was a holy country with a special divine providence. The same belief is still alive today, giving American Protestantism its particular evangelical and highly personalized character. . . . As a result, America’s religious culture, or at least its dynamic element over the last twenty years, has stressed the morality of individual self-interest and self-help. Social and public initiatives of the type widely supported in Europe and by liberals in the United States are seen as inimical to morality because they minimize individual responsibility (p. 28).

One might be inclined to dismiss the previous statement as an overly simplistic interpretation of the role of Christianity in the shaping of American society, especially since it (1) only focuses on evangelical Protestants, and (2) does not acknowledge the diversity of social thought even within the evangelical community. Hutton’s perspective, however, does focus the reader’s attention on the enduring debate over the viability of the state as an instrument of justice and specific forms of public stewardship, as well as on the question of whether American Christians tend to view these issues in a manner that is fundamentally different than believers in other countries.

This discussion is intrinsically connected to a second argument, which is Hutton’s view as to what constitutes an appropriate “social contract” and “infrastructure of justice.” This argument is outlined in the book’s second chapter, in which Hutton presents his view of the contrast between European and American civilization. He relies heavily upon John Rawls’ *A Theory of Justice*. Hutton’s examination of these matters raises some interesting questions, as reflected in the following quotation from the second chapter:

If there is to be a social contract, then there has to be a collective agent that can organize it – and there has to be a public space within which the social contract’s character and structure can be debated. In short, there has to be a state, and the state has to be part of a wider public discourse in which its actions can be publicly discussed, evaluated, and held to account by the citizenship at large. For any European—or indeed any Rawlsian American—this is a pretty tame lowest common denominator of agreement (pp. 58–59).

Should the state occupy all of the public space to which Hutton makes reference in the previous statement, or is there a role for the voluntary associations of civil society in his vision of the social contract? Why can’t non-governmental organizations (NGOs) of all types constitute an important part of the infrastructure of justice? While Hutton does not make any critical references to the participation of NGOs

in what he calls the “public discourse,” his inclination to regard “public” as being synonymous with “governmental” is revealed by his characterization, at a later point in the book, of British Prime Minister Tony Blair’s “third way” as “a delusion” (p. 210). In criticizing the attempt to form partnerships between the public and private sectors in order to achieve certain social objectives, Hutton states forthrightly that in areas such as health care and education, “the advocacy and defense of the public realm is important in itself” (p. 210).¹ How might we, as Christian economists, respond to this conclusion as an expression of our commitment to public justice and faithful stewardship?

Chapters 3–5 reflect the rather familiar (and not terribly original) argument from the conventional left that American society is saturated with inequality and greed, although Hutton does take American “liberals” to task in the third chapter for what he regards as passive resignation in the face of the “conservative” onslaught. In the judgment of this reviewer, chapters 6–9 are more interesting, even if one does not accept Hutton’s overall thesis. Chapter 6 is entitled “The Globalization of Conservatism,” and its thrust is reminiscent of Nobel laureate Joseph Stiglitz’s argument that some proponents of globalization have associated this phenomenon with “accepting triumphant capitalism, American style.”² Chapter 7 explores the “special” relationship between the United Kingdom and the United States, with Hutton maintaining that Britain should align its economic policies and institutions more closely with its colleagues in the European Union than with the United States. Chapter 8, entitled “Europe Works,” presents a challenging case, based largely on case studies of successful European enterprises, for what Ronald Dore has characterized as “stakeholder,” as opposed to “shareholder,” capitalism.³ Chapter 9 extends some of the arguments presented in the two previous chapters while drawing distinctions between the various forms of European capitalism, especially the difference between what Hutton calls the “Rhineland capitalism” of Germany, Austria, and the Netherlands, and the social-democratic framework shared by the Scandinavian nations.

At the end of the book, Hutton asserts that there are three crucial domestic battles which must be “won” in order for the United States to “rejoin the world.” U.S. citizens must: (1) attack the Wall Street view of wealth creation as short-term financial engineering; (2) insist that the United States offer a robust social contract, one in which the bottom 50 percent of Americans are offered a fair chance and protected against life’s unavoidable hazards; (3) struggle to relegitimize the public realm and see to it that America, above all else, lives up to its own criteria of democracy.

The third “battle” identified by Hutton raises some compelling issues. What does it mean to “relegitimize” the public realm? Is it possible to affirm this goal *without* necessarily signing on to Hutton’s definition of “the public realm” or his specific views on economic policy? What are the implications of this discussion for the actual or potential responsibilities of public institutions which are multinational in nature?

One final thought: from an educational standpoint, this

volume proved to be quite effective in encouraging students to consider arguments that they may not have previously encountered. Hutton’s prose is rather polemical at times, especially in the book’s early chapters, but on the whole, I concluded that it was a valuable addition to the instructional design of my course.

Endnotes

- 1 An interesting discussion of the issues associated with public-private partnerships in the delivery of social services is provided by Minow (2002).
- 2 Stiglitz (2003), p. 5.
- 3 Dore (2000), p. 10.

References

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Great Commission Companies: The Emerging Role of Business in Missions

Steve Rundle and Tom Steffen. 2003. Downers Grove, IL: InterVarsity Press. ISBN: 0-8308-3227-0. \$16.00 (paper).

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Having been a second-generation missionary, I jumped at the opportunity of reviewing *Great Commission Companies* and was not disappointed, though I have further questions about them. I recognize that when my father helped launch the Hong Kong Products Fair in the early 1950s, it encouraged entrepreneurship that eventually created jobs for the million Chinese refugees who poured into the city-state raising its population to three million. Their entrepreneurship helped the churches in Hong Kong whose real estate by 1997 was worth more than all the foreign contributions made throughout their history. God can certainly work through business as well as other ways.

The book’s preface suggests that globalization is part of God’s plan: “Globalization is helping undo the modern dichotomy between spiritual and worldly professions, in part by bringing business of all sizes into countries that are in desperate spiritual and economic need” (p. 6). To their credit the authors recognize the world’s desperate poverty by citing World Bank statistics on the proportion of the global population living on less than one dollar a day and the challenge of persistent religious persecution under globalization (pp. 68–70). They are aware of the problems of globalization, though not critical of the role of secular

businesses in exploiting workers or tolerating human rights problems.

The authors' means for overcoming this dichotomy are Great Commission Companies (GCCs), which are described in the first six chapters of the book. GCCs are defined as companies that are socially responsible, income-producing, bringing glory to God in their relationships with customers and suppliers, promoting local churches, and focusing on the least evangelized and least developed parts of the world (pp. 41–42). Because GCCs are desirable firms in any society, they can be tolerated where other forms of Christian mission would be summarily rejected.

GCCs must be managed by “kingdom professionals, who are called and gifted for service in the marketplace” (p. 37). The authors contrast kingdom professionals with missionaries who are dedicated to evangelistic proclamation rather than the success of the firm. St. Paul's tentmaking ministry is the authors' model of an evangelistic businessman.

In comparison to secular firms, GCCs have more stakeholders. Their business plan is combined with a Great Commission Plan. Advisors on both plans sit on their Board of Directors. To economists skilled in the mathematics of constrained optimization, adding more constraints would not raise the profit-making potential of the GCCs. We would suspect that some of the success of these firms is assured by skilled business managers working for compensation far below what the market would offer them. However, Christian economists should recognize that these kingdom professionals attain satisfaction from the challenges of serving more stakeholders in a more challenging environment than their secular counterparts, even when the kingdom professionals are receiving lower compensation. As long as Christians recognize that material compensation is not an ultimate goal, we are outside the neoclassical paradigm.

Having worked for five years for an African church, I do not make the strong distinction that the authors stress between kingdom professionals and ordinary missionaries. For example, over a century ago the Basel Mission was successful in introducing to local chiefs commercial cocoa production as an alternative source of revenue that was incompatible with the slave trade. Missionary entrepreneurs, despite their fixed salaries, demonstrated their evangelistic message amid civil wars. Like the example of my father mentioned at the beginning, missionaries can act like kingdom professionals.

At the same time I can recall missionaries who considered themselves in business, who were wasting capital. My wife and I would cringe whenever a Bible-peddling couple showed up in their van unannounced at dinnertime to be fed and housed. They bragged that they were living off their earnings selling scripture, but their donated van was driven across the Sahara Desert to be sold eventually for plane fare back to Europe, their lodging was at our expense, and their peripatetic lifestyle prevented them from having meaningful relationships with African churches. However brave, they were not entrepreneurs creating value, nor were they successful missionaries. The authors' distinction between kingdom professionals and missionaries certainly applies to

their case.

The second part of the book gives five case studies of GCCs that were ultimately successful. The first four illustrate a matrix of ministry models (p. 44) which classifies a GCC on the basis of whether the firm is independent or allied to mission agencies and whether it does pioneering ministry or facilitates it. Chapter 7 is devoted to a handicraft company that is independently supplying Christian bookstores in the United States and does pioneering mission work in a Muslim society. After some false starts, including having a Christian worker arrested for stopping work to lead prayer, it is earning foreign exchange and providing jobs to the Christian minority population that benefits from employment. Chapter 8 covers Homestead Partners International, which is independent and facilitates missions. It renovates housing in the United States to give 51 percent of its profits to mission work. Chapter 9 describes Pura Vida Coffee in Seattle, which allies with mission work in Costa Rica to facilitate income earning there. It markets gourmet fair trade coffees in the United States. Chapter 10 discusses an engineering firm located in China that allies with mission organizations to do pioneering work. Its success in starting factories in remote locations leads the government to tolerate its mission work. The final example of an international telephone service company does not fit the theoretical matrix since it both employs missionaries and finances missions. This case provides a refreshing acknowledgement that reality seldom fits comfortably into our theories.

Great Commission Companies is designed for college students or church mission study groups. Good questions given at the end of every chapter encourage further thinking.

My questions may require a sequel to this path-breaking book: (1) Where are the examples of Christian women's firms? Microfinance programs and mission handicraft efforts have created many of them. What special ministries do they provide? What are their unique problems? (2) What happens to GCCs in social or political crises? After all, the likelihood of crises deters businesses from swarming into poor countries. Do the GCCs have contingency plans like well-run multinational corporations or does their faith in God's providence leave them vulnerable? Do their mission backers bail them out while local competitors fail? (3) What is their policy about cooperating with the U.S. government and its espionage agencies? Many multinational corporations allow themselves to be used by their government. They reap the distrust of the local population along with frustration that they fail to favorably influence foreign policy. That distrust and frustration would be detrimental to the evangelization effort. To assume that GCCs integrate spiritual and business motivations means that political issues cannot be avoided.

Despite my questions, I find that *Great Commission Companies* sketches a hope-filled aspect of globalization for regions of the world that need a new model of private business and of evangelization. It also challenges Christian college students and congregations to think about their business careers as ministry. ■