

phrase 'the Dismal Science' during the high point of classical political economy in the nineteenth century, when 'the term "economist" came to denote someone with an identifiable approach to politics and a congenitally hard heart' (p.135).

Brevity is both a strength and weakness of this book. Entire schools of economic thought are dispatched in little more than two pages. This is not the place to go for a detailed treatment of any one school of thought. But it does serve to place these ideas within their historical context and bring out some of the relationships between contending approaches.

Brevity also leaves Backhouse with little room for his own interpretative interventions. Some of those that do find their way into the book are wide of the mark. For example, in discussing the transitional economies of post-communist Eastern Europe, he claims that economists failed to appreciate 'the importance to any capitalist system of a secure framework of law, morality and property rights'. This would come as a big surprise to many of the reformers involved. But it is even more surprising to hear him claim that the socialist-calculation debate 'missed this point entirely' (p.287). One could hardly claim that Mises or Hayek missed the significance of these issues.

Backhouse also has some mistaken views about the significance of private funding to the post-war development of economics in the classical liberal tradition. He speculates that 'the fact that the two most influential public-choice theorists, Buchanan and Tullock, were to the right of the political spectrum may have helped them obtain funding more easily than might otherwise have been the case'

(p.312). Similarly, he suggests that the Austrian school 'had considerable success in raising private funds' (p.316). I think Backhouse seeks to diminish economics in the classical liberal tradition by implying that its success owes more to private funding than the strength and relevance of the ideas themselves. Whatever sources of private funding these schools of thought have secured is tiny in comparison to the enormous sums of private and public money lavished on bastions of Keynesian economics such as Harvard, MIT and Yale. If alternative schools of economic thought have appeared overly reliant on private funds, this reflects their lack of access to more traditional sources of institutional funding. If anything, the funding available to economists working in the classical liberal tradition would have held them back compared to their colleagues working in other traditions. This is what makes the post-war revival of economics in the classical liberal tradition all the more remarkable. It is perhaps just as well then that the broad historical sweep of his book leaves Backhouse with little room to entertain some of his more questionable speculations.

Reviewed by Stephen Kirchner

**Recreating Asia:
Visions for a New Century**

Frank-Jürgen Richter and
Pamela C.M. Mar

Singapore, John Wiley (Asia)

2002, 310 pp, \$29.95

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RECREATING Asia is a product of the World Economic Forum (WEF), the Geneva-based organisation with the somewhat immodest mission statement 'to improve the state of the world'. It is well known for organising talkfests of political and big business leaders in Davos and elsewhere, for publishing the respected annual *Global Competitiveness Reports* that compare business conditions in some 60 jurisdictions, and for even surpassing McDonalds in attracting noisy anti-globalisers. It is not quite clear by what criteria the 'improvement' of the world is to be measured, but the WEF's own viewpoint seems predominantly soft-collectivist/continental-European, mildly Green and centred on the interests of big corporations and governments.

Talkfests of the high and mighty, whom the WEF assembles periodically, of course come under Adam Smith's famous suspicion that 'people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public'. A partial protection against such dangers of high-level networking is to publish the statements of the leading speakers.

The book under review does just that. It contains a collection of brief statements by 35 political and business leaders to the WEF's Tenth East Asia Summit held in 2001. The various speakers share fresh memories of the sobering events of 1997 throughout much of East Asia and focus often on how various countries

have been trying to recover. As well, many contributors reflect on how to cope with the Muslim terrorist threat and irate American reactions to it.

Four broad areas are canvassed: (a) Globalisation and American world leadership are re-assessed and generally approved as the only way forward. (b) Business strategies are explored. Set models—such as the Anglo-Saxon management model, the Japanese *kaizen* model, or Chinese patriarchy—seem out of favour, and pragmatic diversity is in, as many of the interesting, and self-promoting, case studies in the book demonstrate. [c] Corporate governance is seen as a critical new topic. But there is—unsurprisingly for such a club—a lot of belief in virtuous officials and the need for business and government leaders to cooperate. There is too little understanding of the central role of clear, reliably enforced rules. Some are optimistic that the traditional crony capitalism is being reformed, others, such as Tunku Abdul Aziz of *Transparency International*, see an arduous, accident-prone road ahead—in my opinion correctly so. [d] Finally, regional cooperation through an alphabet soup of new or proposed organisations is explored. The stress is on top-down coordination rather than organic market integration from below. This merits a good dose of scepticism about inflicting EU-style organisations or regional monetary funds on the diverse evolving polities of east Asia.

Many of the articles demonstrate to what degree most leaders are still struggling with the new, fluid world situation and how insecure most of them sound. This is not a bad thing in a situation of epochal change. The easy era of East Asian growth and integration into the world economy, when low labour and tax costs drove industrial growth, is at

an end for most. The hard task of developing non-corrupt, globally competitive institutions, which reduce the costs of transacting business in East Asia, is being tackled somewhat reluctantly by most of the powerful and established leaders, the rhetoric in this volume notwithstanding. Neither is it a bad thing that most contributors sounded rather confident about the capacity of East Asians to prosper and govern themselves better, whatever the future may hold.

Some leaders seem to be in denial, most notably Malaysia's 77-year-old Prime Minister Mahathir bin Mohamad. The Old Recalcitrant argues for 'selective and strategic integration' with the global economy and a reform of international organisations which, to his mind, are manipulated by the rich West. The Hayekian idea that rulers might not have the perfect knowledge to be 'selective and strategic' during the complex processes of development and global integration certainly never enters his mind. Nor is there any appreciation of the fact that the opening of American and European markets to the emerging East Asian suppliers—partly to 'proof' East Asian societies during the Cold War against socialism—has benefited Malaysians and so many other east Asians enormously. Other leaders show much more awareness of these historic facts and suffer none of Mahatir's dependency hang-ups.

One recurrent theme in the book is the historic, gradual integration of China into political and economic networks of east Asia. The revolutionary exceptionalism of the Mao era has long given way to a China that is more of an equal partner, though a very big and influential one. As Lee Kuan Yew

pointed out in his *Preface*, the new China has become more of a partner to the Northeast Asian economies, which can compete better in world markets thanks to low-cost inputs made in China. By contrast, it now is more of a low-cost competitor to Southeast Asia in export markets and markets for internationally mobile capital and knowledge. Various contributions by senior Chinese officials certainly signal the willingness to be cooperative and constructive in the East Asian region.

There are a few non-Asian contributions, which reflect a soft-capitalist worldview.

However, there are no American or radical-liberal contributions. British Columbia's Premier, Gordon Campbell, injected a rare reminder of reformist liberalism when he told the audience that he was reducing personal income taxes by 15% and was committed 'to reduce the hidden tax of unnecessary government regulation by one-third' (p.15). One only wished that John Howard's polite one-page *Preface* had contained similarly refreshing thoughts.

The problem of Islamist aggression is tackled repeatedly, but, in 2001, it seemed still rather tangential to most of the east Asian leaders who spoke. Often, unpredictable aggressive American reactions seem of more concern to Asians, probably justifiably so. One noteworthy contribution that deals with Islam explicitly and insightfully is the speech by Malaysian Youth and Sports Minister Hishamuddin Tun Hussein, who firmly condemns the Muslim terrorists and demonstrates



that Malaysian Islam is open to cross-cultural communication and modernisation; indeed that Malaysia's multicultural society demonstrates an attractive and feasible way forward. Another Malaysian contributor, Karim Raslan, says that the 'Middle east can no longer lay claim to leadership of the Muslim world . . . [given] the Arab world's moral, spiritual and socio-economic bankruptcy . . . Proponents of Wahabism . . . have done their utmost to promote their interpretations at the expense of regional cultures' (pp. 34-35).

Although, in the meantime, Southeast Asian fundamentalist Muslims have become mass murderers in Bali and Malaysia has been found to harbour terrorist enemies of Western liberal values, I agree that we should look at Malaysia and Indonesia to study a more attractive face of modern Islam and to develop Western strategies which help the modernisers and reformers. Europeans and Americans are much more likely to focus on Arab Islam than we do and are then seduced either into belligerent antagonism, such as Oriana Fallaci's new temperamental book *Rage and Pride*, or into politically correct pacifist cowardice. Neither posture looks promising. The West—and in particular Australia, which is a borderline state to Muslim Southeast Asia—is better served by understanding the modernisers and reformers of Islam who work in our region. Raslan's article presents an excellent starting point for us when setting out on the road of supporting reform, while at the same time standing up for the values that have served us so well and may inspire Muslim reformers.

Overall, the book at times strikes someone with a paleo-liberal world view with scepticism about the leaders'

and the WEF's naive belief in top-down collective action. As the title already indicates—'recreating' a huge, diverse entity called 'Asia'—there is too much trust in the wisdom of the leaders, proactive strategies, and collaboration between government and business, and too little stress on open competition, individualism and dissent, as well as arms-length governance. Having said this, the book contains a great diversity of worthwhile insights and questions. It documents that problems are being taken seriously and analysed intelligently. Alas, these are interesting times. Nevertheless, one gains the impression that the leaders whom WEF has assembled at least realise that they are facing unprecedented challenges.

Let me conclude with a probably futile wish. I hope that these essays are read by the street protesters against globalisation and capitalism, which WEF represents to them. That would enable them—or at least those who finance and manipulate them and their sympathisers—to make a constructive contribution to prosperity, peace and security for all.

Reviewed by Wolfgang Kasper

The Blank Slate: The Modern Denial of Human Nature

Steven Pinker

Viking Penguin, 2002, 509pp,
\$29.95, ISBN 0 670 03151 8

POLITICS and genetics have an unfortunate history. The Nazis' extermination of Jews and others deemed tainted by undesirable characteristics gave genetic 'improvement' a very bad name, and the pre-World War II interest in eugenics vanished from respectable

intellectual life. The idea that races differ in ways other than physical appearance remains one of the hottest of intellectual hot potatoes, as the mid-1990s controversy over Richard Herrnstein and Charles Murray's *The Bell Curve* showed. While less explosive than racial differences, the belief that the sexes vary in more than just their bodies still gets at least men into trouble.

Steven Pinker's *The Blank Slate* is a very wide-ranging look at the science of human nature, what's genetic and what's not, and the social and political implications of this research. It's intended to calm some of the concerns people have about the findings of genetic research, by pointing out that some previous beliefs about genetics were wrong or misuses (the Nazis, for example), that the research does not have the negative moral or political implications some fear, but that it can tell us useful things about what social patterns are likely and what political arrangements are feasible.

Pinker provides evidence and arguments relevant to pacifying critics of genetic explanations of human behaviour and culture, though whether they are likely to do so is another matter, for reasons I will explain.

He points out that while there are genetic differences between races, they have much in common, including body and brain structure and universals of behaviour and beliefs. An appendix lists dozens of these universals. Wider genetic variation occurs within racial groups than between them, so individual discrimination based on average group characteristics cannot be justified on genetic grounds.

Similar arguments can be used for gender, though there are on Pinker's account larger differences between sexes than between races.