rates, sliced tariffs, and encouraged foreign investment in Chile. It was not enough. In 1975, Friedman himself prescribed "shock treatment."

Finance minister Jorge Cauas promptly cut the government budget (by 15–25 percent) and slashed the public payroll (by 50 percent between 1973 and '77), boosted taxes, and slowed money supply growth. During the next three years, inflation plunged from 340 percent to 30 percent annually. Economic growth accelerated to a 7.3 percent annual rate in 1978. Some economists began talking about a "Chilean economic miracle."

By early 1982, however, that talk had been silenced. Industrial output fell sharply, unemployment climbed to 23 percent, and bankruptcies in the textile industry alone cost 40,000 jobs. Why? Sigmund lays part of the blame on the 1979 OPEC price hike and on the decline of the world price of copper, Chile's chief export, from $1.33 per pound in 1980 to 59 cents two years later. But the Chicago boys' inflexibility was chiefly responsible, he believes.

Fixed foreign exchange rates (not a monetarist doctrine) led to an overvalued Chilean peso, making exports too dear for foreign buyers and imports too costly. Low tariffs (10 percent across the board after 1979 compared to up to 500 percent in 1973) abetted a flood of cheap imports that drove Chilean firms out of business. Even Chile's chicken farmers were undersold—by Taiwanese competitors. The Chicago boys kept a tight lid on the government's overseas borrowing but refused on principle to regulate private sector foreign transactions. The result: heavy foreign debt and a $4 billion balance-of-trade deficit in 1981. Finally, tight money policies produced high interest rates.

By early 1983, Pinochet had had enough. He jettisoned the last of his doctrinaire economic experts and installed more moderate policymakers. What the Chilean experience shows is not that free-market experiments won't work in the Third World, Sigmund maintains, but that they can't work without "the self-correcting mechanisms of representative government" that curb the excesses of economic planners.

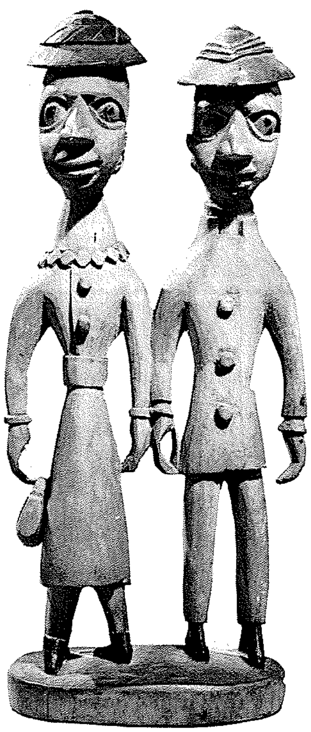
Slavery's Impact On Africa

"Contours in Slavery and Social Change in Africa" by Patrick Manning, in *The American Historical Review* (Oct. 1983), 400 A St. S.E., Washington, D.C. 20003.

Historians have debated for years whether the centuries-long slave trade with Europe, America, and the Middle East overwhelmed static African societies or was largely absorbed by an Africa that was already changing. Manning, a Bryn Mawr College historian, argues that the effects varied with place and time.

Portuguese sailors' reports from Africa during the 15th century indicated that slavery was by then a well-established institution there. But slaves were generally captives taken in battles waged for political, not economic, ends. With the advent of lucrative large-scale slave exports after 1650 (prompted by the growing demand for labor on sugar plantations in Brazil, Barbados, Jamaica, and other New World colonies),

OTHER NATIONS



A white colonial couple, probably British, as seen by a Nigerian of the early 20th century. Colonization began as the overseas slave trade declined.

capturing slaves became, in some places, an end in itself. In the area around present-day Nigeria, for example, the fluctuating prices offered by Europeans for slaves directly influenced the level of local conflict and the volume of slave exports. War, kidnappings, and other forms of violence increased when prices did. But in the kingdoms to the south, the supply of slaves increased in the mid-18th century far more than mere price increases would have warranted, suggesting that slave-taking through war and other means rose chiefly because of African political conflicts.

Slave exports peaked in the late 18th century, reaching an average of 100,000 per year. But the effect on African demographics and social institutions varied according to local characteristics of the slave trade. In West Africa, for example, the export of men to the New World and the resulting overabundance of women led to an expansion of the indigenous institution of polygyny. However, in the savanna regions of North and East Africa, which experienced a disproportionate drain of slave women to the Middle East, the right to more than one wife was gradually restricted to rich and powerful men.

The 19th-century decline of overseas demand for slaves, on the other hand, had a clear-cut effect, notably in western Africa. As prices dropped, Africans themselves began buying more slaves, and a black African plantation economy began to take shape. Ironically, this new system was doomed by the influx after midcentury of reform-minded white colonists—the same Europeans whose ancestors had vastly expanded the slave trade 200 years earlier.

Hong Kong's Uncertain Future

"The International Position of Hong Kong" by Lucian W. Pye, in *The China Quarterly* (Sept. 1983), School of Oriental and African Studies, Malet St., London WC1E 7HP, England.

Nervous businessmen in Hong Kong, facing a Chinese takeover once Britain's 99-year lease to the territory expires in 1997, were not reassured when China's Deng Xiaoping told them several years ago to "put their hearts at ease." As Lord Carrington, then British foreign secretary, pointed out, "It's not their hearts they are worried about."

Today, the leaders of the world's third largest financial center fear local economic collapse under communist management. Rather than signing standard 15-year business contracts that would extend beyond 1997, Hong Kong's industrialists are beginning to shift their capital out of the territory. Taiwan, Singapore, the Philippines, and Thailand offer investment opportunities that encourage the exodus.

London opened negotiations with Beijing over the fate of Hong Kong's five million citizens in 1982. But hopes for an early accord were dashed by the implacable negotiating stance assumed by each side. Deng declared Chinese sovereignty over the entire territory a "non-negotiable" issue. Prime Minister Margaret Thatcher countered by invoking Britain's "moral obligation" to consider the wishes of the people of Hong Kong, most of whom prefer the present arrangement.

Optimists in Hong Kong assume that the newly pragmatic world-view of post-Maoist Chinese leaders, and their need for the export earnings that a healthy Hong Kong could provide, will assure minimal Chinese meddling with the economic status quo. But Pye, an MIT China scholar, points out that even with a 70 percent drop in earnings, an assimilated Hong Kong would still generate more hard currency for China from exports than it now pays for the food and water it imports from the Chinese mainland. Furthermore, while Beijing's desire for a good public relations image in Taiwan (a target for future absorption) could be a moderating force, Pye predicts that Beijing's fear of "interference" from Taiwan will rule out electoral freedom: Chinese-appointed native administrators may be the most Hong Kong can hope for.

So far, says Pye, the Hong Kong Chinese have been "oddly devoid of political vitality." But as 1997 draws nearer, political groups of young, well-educated Hong Kong Chinese have formed (Meeting Point, the Hong Kong Observers, China Spring), calling for varying degrees of autonomy. Pye surmises that the longer the negotiations drag on, the stronger the chance that an articulate nationalist figure will rise to transform the Sino-British transaction into a campaign by the people of Hong Kong for self-determination.