CHOO YOUN-KONG / AFP / GETTY IMAGES

Looting was the least of the injuries suffered by Indonesia's ethnic Chinese minority in the riots that followed the 1998 collapse of the Suharto regime. Indonesia was left reeling from the subsequent capital flight of $40-to-$100 billion.

A WORLD ON THE EDGE

With the debate about globalization focused on economics and politics, Amy Chua raised an alarm in our Autumn 2002 issue about the dangerous escalation of ethnic tensions in many countries caused by the triumph of free-market democracy. Chua later wrote *Battle Hymn of the Tiger Mother* (2011).

BY **AMY CHUA**

By AMY CHUA

ONE BEAUTIFUL BLUE MORNING IN September 1994, I received a call from my mother in California. In a hushed voice, she told me that my Aunt Leona, my father's twin sister, had been murdered in her home in the Philippines, her throat slit by her chauffeur. My mother broke the news to me in our native Hokkien Chinese dialect. But "murder" she said in English, as if to wall off the act from the family through language.

The murder of a relative is horrible for anyone, anywhere. My father's grief was impenetrable; to this day, he has not broken his silence on the subject. For the rest of the family, though, there was an added element of disgrace. For the Chinese, luck is a moral attribute, and a lucky person would never be murdered. Like having a birth defect, or marrying a Filipino, being murdered is shameful.

My three younger sisters and I were very fond of my Aunt Leona, who was petite and quirky and had never married. Like many wealthy Filipino Chinese, she had all kinds of bank accounts in Honolulu, San Francisco, and Chicago. She visited us in the United States regularly. She and my father—Leona and Leon—were close, as only twins can be. Having no children of her own, she doted on her nieces and showered us with trinkets. As we grew older, the trinkets became treasures. On my 10th birthday she gave me 10 small diamonds, wrapped up in toilet paper. My aunt loved diamonds and bought them up by the dozen, concealing them in empty Elizabeth Arden face moisturizer jars, some right on her bathroom shelf. She liked accumulating things. When we ate at McDonald's, she stuffed her Gucci purse with free ketchups.

On my 10th birthday she gave me 10 small diamonds, wrapped up in toilet paper.

According to the police report, my Aunt Leona, "a 58-year-old single woman," was killed in her living room with "a butcher's knife" at approximately 8 p.m. on September 12, 1994. Two of her maids were questioned, and they confessed that Nilo Abique, my aunt's chauffeur, had planned and executed the murder with their knowledge and

assistance. "A few hours before the actual killing, respondent [Abique] was seen sharpening the knife allegedly used in the crime." After the killing, "respondent joined the two witnesses and told them that their employer was dead. At that time, he was wearing a pair of bloodied white gloves and was still holding a knife, also with traces of blood." But Abique, the report went on to say, had "disappeared," with the warrant for his arrest outstanding. The two maids were released.

Why were they not more shocked that my aunt had been killed in cold blood?

Meanwhile, my relatives arranged a private funeral for my aunt in the prestigious Chinese cemetery in Manila where many of my ancestors are buried in a great, white-marble family tomb. According to the feng shui monks who were consulted, my aunt could not be buried with the rest of the family because of the violent nature of her death, lest more bad luck strike her surviving kin. So she was placed in her own smaller vault, next to—but not touching—the main family tomb.

After the funeral, I asked one of my uncles whether there had been any further developments in the murder investigation. He replied tersely that the killer had not been found. His wife explained that the Manila police had essentially closed the case.

I could not understand my relatives' almost indifferent attitude. Why were they not more shocked that my aunt had been killed in cold blood, by people who worked for her, lived with her, saw her every day? Why were they not outraged that the maids had been released? When I pressed my uncle, he was short with me. "That's the way things are here," he said. "This is the Philippines—not America."

My uncle was not simply being callous. As it turns out, my aunt's death was part of a common pattern. Hundreds of Chinese in the Philippines are kidnapped every year, almost invariably by ethnic Filipinos. Many victims, often children, are brutally murdered, even after ransom is paid. Other Chinese, like my aunt, are killed without a kidnapping, usually in connection with a robbery. Nor is it unusual that my aunt's killer was never apprehended. The police in the Philippines, all poor ethnic Filipinos themselves, are notoriously unmotivated in these cases. When asked by a Western journalist why it is so frequently the

Chinese who are targeted, one grinning Filipino policeman explained that it was because "they have more money."

MY FAMILY IS PART OF THE PHILIPpines' tiny but entrepreneurial and economically powerful Chinese minority. Although they constitute just one percent of the population, Chinese Filipinos control as much as 60 percent of the private economy, including the country's four major airlines and almost all of the country's banks, hotels, shopping malls, and big conglomerates. My own family in Manila runs a plastics conglomerate. Unlike taipans Lucio Tan, Henry Sy, or John Gokongwei, my relatives are only "third-tier" Chinese tycoons. Still, they own swaths of prime real estate and several vacation homes. They also have safe deposit boxes full of gold bars, each one roughly the size of a Snickers bar, but strangely heavy. I myself have such a gold bar. My Aunt Leona express-mailed it to me as a law school graduation present a few years before she died.

Since my aunt's murder, one childhood memory keeps haunting me. I was eight, staying at my family's splendid hacienda-style house in Manila. It was before dawn, still dark. Wide awake, I decided to get a drink from the kitchen. I must have gone down an extra flight of stairs, because I literally stumbled onto six male bodies. I had found the male servants' quarters, where my family's houseboys, gardeners, and chauffeurs—I sometimes imagine that Nilo Abique was among them—were sleeping on mats on a dirt floor. The place stank of sweat and urine. I was horrified.

Although they constitute just one percent of the population, Chinese Filipinos control as much as 60 percent of the private economy.

Later that day I mentioned the incident to my Aunt Leona, who laughed affectionately and explained that the servants—there were perhaps 20 living on the premises, all ethnic Filipinos—were fortunate to be working for our family. If not for their positions, they would be living among rats and open sewers, without a roof over their heads. A Filipino maid then walked in; I remember that she had a bowl of food for my aunt's Pekingese. My aunt took the bowl but kept talking as if the maid were

not there. The Filipinos, she continued—in Chinese, but plainly not caring whether the maid understood or not—were lazy and unintelligent and didn't really want to do much. If they didn't like working for us, they were free to leave at any time. After all, my aunt said, they were employees, not slaves.

Nearly two-thirds of the roughly 80 million ethnic Filipinos in the Philippines live on less than $2 a day. Forty percent spend their entire lives in temporary shelters. Seventy percent of all rural Filipinos own no land. Almost a third have no access to sanitation. But that's not the worst of it. Poverty alone never is. Poverty by itself does not make people kill. To poverty must be added indignity, hopelessness, and grievance. In the Philippines, millions of Filipinos work for Chinese; almost no Chinese work for Filipinos. The Chinese dominate industry and commerce at every level of society. Global markets intensify this dominance: When foreign investors do business in the Philippines, they deal almost exclusively with Chinese. Apart from a handful of corrupt politicians and a few aristocratic Spanish mestizo families, all of the Philippines' billionaires are of Chinese descent. By contrast, all menial jobs in the Philippines are filled by Filipinos. All peasants are Filipinos. All domestic servants and squatters are Filipinos. My relatives live literally walled off from the Filipino masses, in a posh, all-Chinese residential enclave, on streets named Harvard, Yale, Stanford, and Princeton. The entry points are guarded by armed private-security forces.

Each time I think of Nilo Abique—he was six-feet-two and my aunt was four-feet-eleven—I find myself welling up with a hatred and revulsion so intense it is actually consoling. But over time I have also had glimpses of how the vast majority of Filipinos, especially someone like Abique, must see the Chinese: as exploiters, foreign intruders, their wealth inexplicable, their superiority intolerable. I will never forget the entry in the police report for Abique's "motive for murder." The motive given was not robbery, despite the jewels and money the chauffeur was said to have taken. Instead, for motive, there was just one word—"revenge."

MY AUNT'S KILLING WAS JUST A pinprick in a world more violent than most of us have ever imagined. In America, we read about acts of mass slaughter and savagery—at first in faraway places, now coming closer home. We do not understand what connects

JEAN-MARC BOUJU / AP IMAGES

Rwandan refugees scramble to climb aboard a humanitarian agency's truck in 1995. Tens of thousands of majority Hutu died in Rwanda's 16-month ethnic conflagration; some 800,000 minority Tutsi were killed.

these acts. Nor do we understand the role we have played in bringing them about.

In the Serbian concentration camps of the early 1990s, the women prisoners were raped over and over, many times a day, often with broken bottles, often together with their daughters. The men, if they were lucky, were beaten to death as their Serbian guards sang national anthems; if they were not so fortunate, they were castrated or, at gunpoint, forced to castrate their fellow prisoners, sometimes with their own teeth. In all, thousands were tortured and executed.

My aunt's killing was just a pinprick in a world more violent than most of us have ever imagined.

In Rwanda in 1994, ordinary Hutus killed 800,000 Tutsis over a period of three months, typically hacking them to death with machetes. Bill Berkeley

writes in *The Graves Are Not Yet Full* (2001) that young children would come home to find their mothers, fathers, sisters, and brothers on the living room floor, in piles of severed heads and limbs.

In Jakarta in 1998, screaming Indonesian mobs torched, smashed, and looted hundreds of Chinese shops and homes, leaving more than 2,000 dead. One who survived—a 14-year-old Chinese girl—later committed suicide by taking rat poison. She had been gang-raped and genitally mutilated in front of her parents.

In Israel in 1998, a suicide bomber driving a car packed with explosives rammed into a school bus filled with 34 Jewish children between the ages of six and eight. Over the next few years such incidents intensified, becoming daily occurrences and a powerful collective expression of Palestinian hatred. "We hate you," a senior aide to Yasir Arafat elaborated in April 2002. "The air hates you, the land hates you, the trees hate you, there is no purpose in your staying on this land."

On September 11, 2001, Middle Eastern terrorists hijacked four American airliners, intent on using them as piloted missiles. They destroyed the World Trade Center and the southwest side of the Pentagon, crushing or incinerating more than 3,000 people. "Americans, think! Why you are hated all over the world," proclaimed a banner held by Arab demonstrators.

There is a connection among these episodes apart from their violence. It lies in the relationship—increasingly, the explosive collision—among the three most powerful forces operating in the world today: markets, democracy, and ethnic hatred. There exists today a phenomenon—pervasive outside the West yet rarely acknowledged, indeed often viewed as taboo—that turns free market democracy into an engine of ethnic conflagration. I'm speaking of the phenomenon of market-dominant minorities: ethnic minorities who, for widely varying reasons, tend under market conditions to dominate economically, often to a startling extent, the "indigenous" majorities around them.

Market-dominant minorities can be found in every corner of the world. The Chinese are a market-dominant minority not just in the Philippines but throughout Southeast Asia. In 1998 Chinese Indonesians, only three percent of the population, controlled roughly 70 percent of Indonesia's private economy, including all of the country's largest conglomerates. In Myanmar (formerly Burma), entrepreneurial Chinese recently have taken over the economies of Mandalay and

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Open ethnic conflict is rare in "mixed blood" Latin America. But light-skinned minorities dominate many economies, and new leaders are rallying the discontented around their Indian roots.

Market-dominant minorities are the Achilles' heel of free-market democracy.

Yangon. Whites are a market-dominant minority in South Africa—and, in a more complicated sense, in Brazil, Ecuador, Guatemala, and much of Latin America. Lebanese are a market-dominant minority in West Africa, as are the Ibo in Nigeria. Croats were a market-dominant minority in the former Yugoslavia, as Jews almost certainly are in postcommunist Russia.

Market-dominant minorities are the Achilles' heel of free-market democracy. In societies with such a minority, markets and democracy favor not just different people or different classes but different ethnic groups. Markets concentrate wealth, often spectacular wealth, in the hands of the market-dominant minority, while democracy increases the political power

of the impoverished majority. In these circumstances, the pursuit of free-market democracy becomes an engine of potentially catastrophic ethnonationalism, pitting a frustrated "indigenous" majority, easily aroused by opportunistic, vote-seeking politicians, against a resented, wealthy ethnic minority. This conflict is playing out in country after country today, from Indonesia to Sierra Leone, from Zimbabwe to Venezuela, from Russia to the Middle East.

Since September 11, the conflict has been brought home to the United States. Americans are not an ethnic minority (although we are a national-origin minority, a close cousin). Nor is there democracy at the global level. Nevertheless, Americans today are everywhere perceived as the world's market-dominant minority, wielding outrageously disproportionate economic power relative to our numbers. As a result, we have become the object of the same kind of mass popular resentment that afflicts the Chinese of Southeast Asia, the whites of Zimbabwe, and other groups.

Global anti-Americanism has many causes. One of them, ironically, is the global spread of free markets and democracy. Throughout the world, global markets are bitterly perceived as reinforcing American wealth and dominance. At the same time, global populist and democratic movements give strength, legitimacy, and voice to the impoverished, frustrated, excluded masses of the world—in other words, precisely the people most susceptible to anti-American demagoguery. In more non-Western countries than Americans would care to admit, free and fair elections would bring to power antimarket, anti-American leaders. For the past 20 years, Americans have been grandly promoting both marketization and democratization throughout the world. In the process, we have directed at ourselves what the Turkish writer Orhan Pamuk calls "the anger of the damned."

THE RELATIONSHIP BETWEEN FREE-MARKET democracy and ethnic violence around the world is inextricably bound up with globalization. But the phenomenon of market-dominant minorities introduces complications that have escaped the view of both globalization's enthusiasts and its critics.

To a great extent, globalization consists of, and is fueled by, the unprecedented worldwide spread of markets and democracy. For more than two decades now, the American government, along with American consultants and business interests, has been vigorously promoting

free-market democracy throughout the developing and postcommunist worlds. Both directly and through powerful international institutions such as the World Bank, International Monetary Fund, and World Trade Organization (WTO), it has helped bring capitalism and democratic elections to literally billions of people. At the same time, American multinationals, foundations, and nongovernmental organizations (NGOs) have touched every corner of the world, bringing with them ballot boxes and Burger Kings, hip-hop and Hollywood, banking codes and American-drafted constitutions.

The prevailing view among globalization's supporters is that markets and democracy are a kind of universal elixir for the multiple ills of underdevelopment. Market capitalism is the most efficient economic system the world has ever known. Democracy is the fairest political system the world has ever known, and the one most respectful of individual liberty. Together, markets and democracy will gradually transform the world into a community of prosperous, war-shunning nations, and individuals into liberal, civic-minded citizens and consumers. Ethnic hatred, religious zealotry, and other "backward" aspects of underdevelopment will be swept away.

Thomas Friedman of *The New York Times* has been a brilliant proponent of this dominant view. In his best-selling book *The Lexus and the Olive Tree* (1999), he reproduced a Merrill Lynch ad that said "the spread of free markets and democracy around the world is permitting more people everywhere to turn their aspirations into achievements," erasing "not just geographical borders but also human ones." Globalization, Friedman elaborated, "tends to turn all friends and enemies into 'competitors.'" Friedman also proposed his "Golden Arches Theory of Conflict Prevention," which claims that "no two countries that both have McDonald's have ever fought a war against each other." (Unfortunately, notes Yale University historian John Lewis Gaddis, "the United States and its NATO allies chose just that inauspicious moment to begin bombing Belgrade, where there was an embarrassing number of golden arches.")

For globalization's enthusiasts, the cure for group hatred and ethnic violence around the world is straightforward: more markets and more democracy. Thus, after the September 11 attacks, Friedman published an op-ed piece pointing to India and Bangladesh as good "role models" for the Middle East and citing their experience as a

solution to the challenges of terrorism and militant Islam: "Hello? Hello? There's a message here. It's democracy, stupid!"—". . . multiethnic, pluralistic, free-market democracy."

I believe, rather, that the global spread of markets and democracy is a principal aggravating cause of group hatred and ethnic violence throughout the non-Western world. In the numerous societies around the world that have a market-dominant minority, markets and democracy are not mutually reinforcing.

Because markets and democracy benefit different ethnic groups in such societies, the pursuit of free-market democracy produces highly unstable and combustible conditions. Markets concentrate enormous wealth in the hands of an "outsider" minority, thereby fomenting ethnic envy and hatred among often chronically poor majorities. In absolute terms, the majority may or may not be better off—a dispute that much of the globalization debate revolves around—but any sense of improvement is overwhelmed by its continuing poverty and the hated minority's extraordinary economic success. More humiliating still, market-dominant minorities, along with their foreign-investor partners, invariably come to control the crown jewels of the economy, often symbolic of the nation's patrimony and identity—oil in Russia and Venezuela, diamonds in South Africa, silver and tin in Bolivia, jade, teak, and rubies in Myanmar.

Introducing democracy under such circumstances does not transform voters into open-minded co-citizens in a national community. Rather, the competition for votes fosters the emergence of demagogues who scapegoat the resented minority and foment active ethnonationalist movements demanding that the country's wealth and identity be reclaimed by the "true owners of the nation." Even as America celebrated the global spread of democracy in the 1990s, the world's new political slogans told of more ominous developments: "Georgia for the Georgians," "Eritreans out of Ethiopia," "Kenya for Kenyans," "Venezuela for Pardos," "Kazakhstan for Kazakhs," "Serbia for Serbs," "Hutu Power," "Jews out of Russia." Vadim Tudor, a candidate in Romania's 2001 presidential election, was not quite so pithy. "I'm Vlad the Impaler," he declared, and referring to the historically dominant Hungarian minority, he promised, "We will hang them directly by their Hungarian tongue!"

When free-market democracy is pursued in the presence of a market-dominant minority, the result,

almost invariably, is backlash. Typically, it takes one of three forms. The first is a backlash against markets that targets the market-dominant minority's wealth. The second is an attack against democracy by forces favorable to the market-dominant minority. And the third is violence, sometimes genocidal, directed against the market-dominant minority itself.

Zimbabwe today is a vivid illustration of the first kind of backlash—an ethnically targeted antimarket reaction. For several years now, President Robert Mugabe has encouraged the violent seizure of 10 million acres of white-owned commercial farmland. As one Zimbabwean explained, "The land belongs to us. The foreigners should not own land here. There is no black Zimbabwean who owns land in England. Why should any European own land here?" Mugabe has been more explicit: "Strike fear in the heart of the white man, our real enemy." Most of the country's white "foreigners" are third-generation Zimbabweans. They are just one percent of the population, but they have for generations controlled 70 percent of the country's best land, largely in the form of highly productive 3,000-acre tobacco and sugar farms.

Watching Zimbabwe's economy take a free fall as a result of the mass land grab, the United States and United Kingdom, together with dozens of human rights groups, urged President Mugabe to step down and called resoundingly for "free and fair elections." But the idea that democracy is the answer to Zimbabwe's problems is breathtakingly naive. Perhaps Mugabe would have lost the 2002 elections in the absence of foul play. But even if that's so, it's important to remember that Mugabe himself is a product of democracy. The hero of Zimbabwe's black liberation movement and a master manipulator of the masses, he swept to victory in the closely monitored elections of 1980 by promising to expropriate "stolen" white land. Repeating that promise has helped him win every election since. Moreover, Mugabe's land-seizure campaign was another product of the democratic process. It was deftly timed in anticipation of the 2000 and 2002 elections, and deliberately calculated to mobilize popular support for Mugabe's teetering regime. According to *The Economist*, 95 percent of Zimbabwe's largely white-owned commercial farms are now earmarked for confiscation without compensation, and many farmers have been ordered off the land.

IN THE CONTEST BETWEEN AN ECONOMICALLY powerful ethnic minority and a numerically powerful impoverished majority, the majority does not always prevail. Rather than a backlash against the market, another possible outcome is a backlash against democracy that favors the market-dominant minority. Examples of this dynamic are extremely common. The world's most notorious cases of "crony capitalism" have all involved partnerships between a market-dominant ethnic minority and a cooperative autocrat. Ferdinand Marcos's dictatorship in the Philippines, for example, sheltered and profited from the country's wealthy Chinese before he was driven from office in 1986. In Kenya, President Daniel arap Moi, who had once warned Africans to "beware of bad Asians," is sustained by a series of "business arrangements" with a handful of local Indian tycoons. And the bloody tragedy of Sierra Leone's recent history can be traced in significant part to the regime of President Siaka Stevens, who converted his elective office into a dictatorship during the early 1970s and promptly formed a shadow alliance with five of the country's Lebanese diamond dealers.

In Sierra Leone, as in many other countries, independence (which came in 1961) had been followed by a series of antimarket measures and policies that took direct aim at market-dominant minorities. People of "European or Asiatic origin," including the Lebanese, were denied citizenship. Stevens's approach thus represented a complete about-face—a pattern that's been repeated in country after country. Stevens protected the economically powerful Lebanese, and in exchange, they—with their business networks in Europe, the Soviet Union, and the United States—worked economic wonders, generating enormous profits and kicking back handsome portions to Stevens and other officials. (It is just such webs of preexisting relationships with the outside world that have given economically dominant minorities their extraordinary advantages in the current era of globalization.) Stevens was succeeded by other autocrats, who struck essentially the same deal while also successfully courting foreign investment and aid. In 1989 and 1990, the International Monetary Fund championed a "bold and decisive" free-market reform package that included a phase-out of public subsidies for rice and other commodities. Already living in indescribable poverty, Sierra Leoneans watched the cost of rice nearly double, and many blamed the Lebanese. In any event, the rebel

leader Foday Sankoh had little trouble finding recruits for his insurgency. Some 75,000 died in the ensuing chaos.

The third and most ferocious kind of backlash is majority-supported violence aimed at eliminating a market-dominant minority. Two recent examples are the "ethnic cleansing" of Croats in the former Yugoslavia and the mass slaughter of Tutsi in Rwanda. In both cases, sudden, unmediated democratization encouraged the rise of megalomaniacal ethnic demagogues and released long-suppressed hatreds against a disproportionately prosperous ethnic minority.

Of course, markets and democracy were not the only causes of these acts of genocide, but they were neglected factors. In the former Yugoslavia, for example, the Croats, along with the Slovenes, have long enjoyed a strikingly higher standard of living than the Serbs and other ethnic groups. Croatia and Slovenia are largely Catholic, with geographical proximity and historical links to Western Europe, while the Eastern Orthodox Serbs inhabit the rugged south and lived for centuries under the thumb of the Ottoman Empire. By the 1990s, per capita income in northern Yugoslavia had risen to three times that in the south. The sudden coming of Balkan electoral democracy helped stir ancient enmities and resentments. In Serbia, the demagogue and future "ethnic cleanser" Slobodan Milosevic swept to power in 1990 as supporters declared to hysterical crowds, "We will kill Croats with rusty spoons because it will hurt more!" (In the same year, Franjo Tudjman won a landslide victory in Croatia preaching anti-Serb hatred; the subsequent mass killing of Croatia's Serbs shows that market-dominant minorities aren't always the *victims* of persecution.) In a now-famous speech delivered in March 1991—which contains a telling allusion to Croat and Slovene market dominance—Milosevic declared: "If we must fight, then my God we will fight. And I hope they will not be so crazy as to fight against us. *Because if we don't know how to work well or to do business*, at least we know how to fight well!" (Emphasis added.)

To their credit, critics of globalization have called attention to the grotesque imbalances that free markets produce. In the 1990s, writes Thomas Frank in *One Market Under God* (2000), global markets made "the corporation the most powerful institution on earth," transformed "CEOs as a class into one of the wealthiest elites of all time," and, from America to Indonesia, "forgot

about the poor with a decisiveness we hadn't seen since the 1920s." A host of strange bedfellows have joined Frank in his criticism of "the almighty market": American farmers and factory workers opposed to the North American Free Trade Agreement, environmentalists, the American Federation of Labor–Congress of Industrial Organizations, human rights activists, Third World advocates, and sundry other groups that protested in Seattle, Davos, Genoa, and New York City. Defenders of globalization respond, with some justification, that the world's poor would be even worse off without global marketization, and recent World Bank studies show that, with some important exceptions, including most of Africa, globalization's "trickle down" has benefited the poor as well as the rich in developing countries.

More fundamentally, however, Western critics of globalization, like their pro-globalization counterparts, have overlooked the ethnic dimension of market disparities. They tend to see wealth and poverty in terms of class conflict, not ethnic conflict. This perspective might make sense in the advanced Western societies, but the ethnic realities of the developing world are completely different from those of the West. Essentially, the anti-globalization movement asks for one thing: more democracy. At the 2002 World Social Forum in Brazil, Lori Wallach of Public Citizen rejected the label "anti-globalization" and explained that "our movement, really, is globally for democracy, equality, diversity, justice, and quality of life." Wallach has also warned that the WTO must "either bend to the will of the people worldwide or it will break." Echoing these voices are literally dozens of NGOs that call for "democratically empowering the poor majorities of the world." But unless democratization means something more than unrestrained majority rule, calling for democracy in the developing world can be shortsighted and even dangerous. Empowering the Hutu majority in Rwanda did not produce desirable consequences. Nor did empowering the Serbian majority in Serbia.

Critics of globalization are right to demand that more attention be paid to the enormous disparities of wealth created by global markets. But just as it is dangerous to view markets as the panacea for the world's poverty and strife, so too it is dangerous to see democracy as a panacea. Markets and democracy may well offer the best long-run economic and political hope for developing and postcommunist societies. In the short run, however, they're part of the problem.

IN THE WEST, TERMS SUCH AS "MARKET economy" and "market system" refer to a broad spectrum of economic systems based primarily on private property and competition, with government regulation and redistribution ranging from substantial (as in the United States) to extensive (as in the Scandinavian countries). Yet for the past 20 years the United States has been promoting throughout the non-Western world raw, laissez-faire capitalism—a form of markets that the West abandoned long ago. The procapitalism measures being implemented today outside the West include privatization, the elimination of state subsidies and controls, and free-trade and foreign investment initiatives. As a practical matter they rarely, if ever, include any substantial redistribution measures.

"Democracy," too, can take many forms. I use the term "democratization" to refer to the political reforms that are actually being promoted in the non-Western world today—the concerted efforts, for example, largely driven by the United States, to implement immediate elections with universal suffrage. It's striking to note that at no point in history did any Western nation ever implement laissez-faire capitalism and overnight universal suffrage simultaneously—though that's the precise formula for free-market democracy currently being pressed on developing countries around the world. In the United States, the poor were totally disenfranchised by formal property qualifications in virtually every state for many decades after the Constitution was ratified, and economic barriers to participation remained well into the 20th century.

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It is ethnicity, however, that gives the combination of markets and democracy its special combustibility. Ethnic identity is not a static, scientifically determinable status but shifting and highly malleable. In Rwanda, for example, the 14 percent Tutsi minority dominated the Hutu majority economically and politically for four centuries, as a kind of cattle-owning aristocracy. But for most of this period, the lines between Hutus and Tutsi were permeable. The two groups spoke the

same language, intermarriage occurred, and successful Hutus could "become Tutsi." That was no longer true after the Belgians arrived and, steeped in specious theories of racial superiority, issued ethnic identity cards on the basis of nose length and cranial circumference. The resulting sharp ethnic divisions were later exploited by the leaders of Hutu Power. Along similar lines, all over Latin America today—where it is often said that there are no "ethnic divisions" because everyone has "mixed" blood—large numbers of impoverished Bolivians, Chileans, and Peruvians are suddenly being told that they are Aymaras, Incas, or just *indios*, whatever identity best resonates and mobilizes. These indigenization movements are not necessarily good or bad, but they are potent and contagious.

At the same time, ethnic identity is rarely constructed out of thin air. Subjective perceptions of identity often depend on more "objective" traits assigned to individuals based on, for example, perceived morphological characteristics, language differences, or ancestry. Try telling black and white Zimbabweans that they are only imagining their ethnic differences—that "ethnicity is a social construct"—and they'll at least agree on one thing: You're not being helpful. Much more concretely relevant is the reality that there is roughly zero intermarriage between blacks and whites in Zimbabwe, just as there is virtually no intermarriage between Chinese and Malays in Malaysia or between Arabs and Israelis in the Middle East. That ethnicity can be at once an artifact of human imagination and rooted in the darkest recesses of history—fluid and manipulable, yet important enough to kill for—is what makes ethnic conflict so terrifyingly difficult to understand and contain.

The argument I am making is frequently misunderstood. I do not propose a universal theory applicable to every developing country. There are certainly developing countries without market-dominant minorities: China and Argentina are two major examples. Nor do I argue that ethnic conflict arises only in the presence of a market-dominant minority. There are countless instances of ethnic hatred directed at economically oppressed groups. And, last, I emphatically do not mean to pin the blame for any particular case of ethnic violence—whether the mass killings perpetuated by all sides in the former Yugoslavia or the attack on America—on economic resentment, on markets, on democracy, on globalization, or on any other single cause.

Many overlapping factors and complex dynamics—religion, historical enmities, territorial disputes, or a particular nation's foreign policy—are always in play.

The point, rather, is this: In the numerous countries around the world that have pervasive poverty and a market-dominant minority, democracy and markets—at least in the raw, unrestrained forms in which they are currently being promoted—can proceed only in deep tension with each other. In such conditions, the combined pursuit of free markets and democratization has repeatedly catalyzed ethnic conflict in highly predictable ways, with catastrophic consequences, including genocidal violence and the subversion of markets and democracy themselves. That has been the sobering lesson of globalization over the past 20 years.

WHERE DOES THIS LEAVE US? What are the implications of market-dominant minorities for national and international policymaking? Influential commentator Robert D. Kaplan offers one answer: Hold off on democracy until free markets produce enough economic and social development to make democracy sustainable. In *The Coming Anarchy* (2000), Kaplan argues that a middle class and civil institutions—both of which he implicitly assumes would be generated by market capitalism—are preconditions for democracy. Contrasting Lee Kuan Yew's prosperous authoritarian Singapore with the murderous, "bloodletting" democratic states of Colombia, Rwanda, and South Africa, Kaplan roundly condemns America's post–Cold War campaign to export democracy to "places where it can't succeed."

This is a refreshingly unromantic view, but ultimately unsatisfactory. As one writer has observed, "If authoritarianism were the key to prosperity, then Africa would be the richest continent in the world." Ask (as some do) for an Augusto Pinochet or an Alberto Fujimori, and you may get an Idi Amin or a Papa Doc Duvalier. More fundamentally, Kaplan overlooks the global problem of market-dominant minorities. He stresses the ethnic biases of elections but neglects the ethnic biases of capitalism. He is overly optimistic about the ability of markets alone to lift the great indigenous masses out of poverty, and he fails to see that markets favor not just some people over others but, often, hated ethnic minorities over indigenous majorities. Overlooking this reality, Kaplan blames too much of the world's violence and anarchy on democracy.

The best economic hope for developing and postcommunist countries does lie in some form of market-generated growth. Their best political hope lies in some form of democracy, with constitutional constraints, tailored to local realities. But if global free-market democracy is to succeed, the problem of market-dominant minorities must be confronted head-on. If we stop peddling unrestrained markets and overnight elections as cure-alls—both to ourselves and others—and instead candidly address the perils inherent in both markets and democracy, there is in many cases room for optimism.

The first and most obvious step is to isolate, where possible, and address, where appropriate, the causes of the market dominance of certain groups. In South Africa, expanding educational opportunities for the black majority—restricted for more than 70 years to inferior Bantu schooling—is properly a national priority and should be vigorously supported by the international community. Throughout Latin America, educational reform and equalization of opportunities for the region's poor indigenous-blooded majorities are imperative if global markets are to benefit more than just a handful of cosmopolitan elites.

Yet we must be realistic. The underlying causes of market dominance are poorly understood, difficult to reduce to tangible factors, and in any event highly intractable. Research suggests, for example, that additional spending on education, if not accompanied by major socioeconomic reforms, produces depressingly few benefits. Political favoritism, though often a sore point with the majority in many societies with a market-dominant minority, tends to be more the consequence than the cause of market dominance. Most market-dominant minorities, whether the Bamiléké in Cameroon or Indians in Fiji, enjoy disproportionate economic success at every level of society down to the smallest shopkeepers, who can rarely boast of useful political connections. Indeed, many of these minorities succeed despite official discrimination against them. Any explanation of their success will likely include a host of intangibles such

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as the influence of religion and culture.

To "level the playing field" in developing societies will thus be a painfully slow process, taking generations if it is possible at all. More immediate measures will be needed to address the potentially explosive problems of ethnic resentment and ethnonationalist hatred that threaten these countries.

A crucial challenge is to find ways to spread the benefits of global markets beyond a handful of market-dominant minorities and their foreign investor partners. Western-style redistributive programs—progressive taxation, social security, unemployment insurance—should be encouraged, but, at least in the short run, they have limited potential. There simply is not enough to tax, and nearly no one who can be trusted to transfer revenues. Other possibilities are somewhat more encouraging. The Peruvian economist Hernando de Soto makes a powerful case in *The Mystery of Capital* (2000) for the benefits of giving the poor in the developing world formal, legally defensible property rights to the land they occupy but to which, because of underdeveloped legal systems and the tangles of history, they very often lack legal title.

A more controversial strategy consists of direct government intervention in the market designed to "correct" ethnic wealth imbalances. The leading example of such an effort is Malaysia's New Economic Policy (NEP), a program established after violent riots in 1969 by indigenous Malays angry over the economic dominance of foreign investors and the country's ethnic Chinese minority. The Malaysian government adopted sweeping ethnic quotas on corporate equity ownership, university admissions, government licensing, and commercial employment. It also initiated large-scale purchases of corporate assets on behalf of the *bumiputra* (Malay) majority.

In many respects, the results have been impressive. While the NEP has not lifted the great majority of Malays (particularly in the rural areas) out of poverty, it has helped to create a substantial Malay middle class. Prime Minister Mahathir Mohamad, who frankly concedes that the NEP has tended to favor elite, well-connected Malays, nevertheless contends that it serves an important symbolic function: "With the existence of the few rich Malays at least the poor can say their fate is not entirely to serve rich non-Malays. From the point of view of racial ego, and this ego is still strong, the unseemly existence of Malay tycoons is essential."

Efforts like the NEP, however, are far from a universal solution. Few countries enjoy the degree of prosperity that makes them feasible, and even Malaysia has not achieved its goal of eradicating poverty. Moreover, such programs may well exacerbate ethnic tensions rather than relieve them, especially when government leaders are themselves ethnic partisans. In his own mind, Serbia's Slobodan Milosevic was conducting a form of affirmative action on behalf of long-exploited majorities, as Zimbabwe's Robert Mugabe doubtless feels he is doing now.

For better or worse, the best hope for global free-market democracy lies with market-dominant minorities themselves. This is adamantly not to blame these groups for the ethnonationalist eruptions against them. But it is to suggest that they may be in the best position to address today's most pressing challenges. To begin with, it must be recognized that market-dominant minorities often engage in objectionable practices—bribery, discriminatory lending, labor exploitation—that reinforce ethnic stereotypes and besmirch the image of free-market democracy. In Indonesia, the notorious "crony capitalism" of President Suharto depended on a handful of Chinese magnates and fueled massive resentment of the Chinese community generally.

More affirmatively, if free-market democracy is to prosper, the world's market-dominant minorities must begin making significant and visible contributions to the local economies in which they are thriving. Although such efforts have been relatively few and by no means always successful in promoting goodwill, some valuable models can be found. The University of Nairobi, for example, owes its existence to wealthy Indians in Kenya. The Madhvani family, owners of the largest industrial, commercial, and agricultural complex in East Africa, not only provide educational, health, housing, and recreational opportunities for their African employees, but also employ Africans in top management and offer a number of wealth-sharing schemes. In Russia, there is the unusual case of the Jewish billionaire Roman Abramovich, whose generous philanthropy and ambitious proposals won him election as governor of the poverty-stricken Chukotka region in the Russian Far East. More typically, however, building ethnic goodwill would require collective action. Fortunately, most economically successful minorities do have the resources for such action, in the form of local ethnic chambers of commerce, clan associations, and other organizations.

What of the world's largest economically dominant minority? What are Americans to do? It's obviously true that anti-Americanism, including the virulent Islamicist strain, doesn't stem from economic deprivation alone. As others have pointed out, the Islamicists themselves rarely even speak of a desire for prosperity. And it is fantasy to think that U.S. economic aid can do anything more than make a small dent in world poverty, at least in the near future. Yet those who call for increases in U.S. aid to the world's poor do seem to have wisdom on their side. The United States now devotes only 0.1 percent of its gross domestic product to foreign aid, a smaller share than any other advanced country. Rightly or wrongly, for millions around the world the World Trade Center symbolized greed, exploitation, indifference, and cultural humiliation. By extending themselves to the world's poor, Americans could begin to send a different sort of message. Retreating into isolationism or glorifying American chauvinism holds no long-term promise. It is difficult to see, in any event, how a little generosity and humility could possibly hurt. ■

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