

## Globalization and Ethnic Hatred

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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 tenth birthday she gave me ten 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.

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 8:00 P.M. on September 12, 1994. Two of her maids were questioned and 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 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.

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, because of the violent nature of her death, my aunt could not be buried with the rest of the family, else more bad luck would 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' matter-of-fact, 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 is 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 policemen 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, economically powerful Chinese minority. Just 1 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 major conglomerates.<sup>2</sup> 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 bar: My Aunt Leona Federal Expressed 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. My family's houseboys, gardeners, and chauffeurs—I sometimes imagine that Nilo Abique was among those men—were sleeping on mats on a dirt floor. The place stank of sweat and urine. I was horrified.

Later that day I mentioned the incident to my Aunt Leona, who laughed affectionately and explained that the servants—there were perhaps twenty 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 even 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 else. If they didn't like working for us, they were free to leave 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 two dollars 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.<sup>3</sup>

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. In Manila, thousands of ethnic Filipinos used to live on or around the Payatas garbage dump: a twelve-block-wide mountain of fermenting refuse known as the Promised Land. By scavenging through rotting food and dead animal carcasses, the squatters were able to eke out a living. In July 2000, as a result of accumulating methane gas, the garbage mountain imploded and collapsed, smothering over a hundred people, including many young children.

When I asked an uncle about the Payatas explosion, he responded with annoyance. "Why does everyone want to talk about that? It's the worst thing for foreign investment." I wasn't surprised. 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 close to six feet and my aunt was four-feet-eleven-inches tall—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 Chinese must look to the vast majority of Filipinos, to someone like Abique: as exploiters, as 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 ever imagined. In America we read about acts of mass slaughter and savagery; at first in faraway places, now coming closer and closer to home. We do not understand what connects 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.<sup>4</sup>

In Rwanda in 1994, ordinary Hutus killed eight hundred thousand Tutsis over a period of three months, typically hacking them to death with machetes. 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.<sup>5</sup>

In Jakarta in 1998, screaming Indonesian mobs torched, smashed, and looted hundreds of Chinese shops and homes, leaving over two thousand dead. One who survived—a fourteen-year-old Chinese girl—later committed suicide by taking rat poison. She had been gang-raped and genitally mutilated in front of her parents.<sup>6</sup>

In Israel in 1998, a suicide bomber driving a car packed with explosives rammed into a school bus filled with thirty-four 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 Arafat official 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."<sup>7</sup>

On September 11, 2001, Middle Eastern terrorists hijacked four American airplanes. They destroyed the World Trade Center and the southwest side of the Pentagon, crushing or incinerating approximately

three thousand people. "Americans, think! Why you are hated all over the world," proclaimed a banner held by Arab demonstrators.<sup>8</sup>

Apart from their violence, what is the connection between these episodes? The answer lies in the relationship—increasingly, the explosive collision—between the three most powerful forces operating in the world today: markets, democracy, and ethnic hatred.

This book is about 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. The phenomenon I refer to is that 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 3 percent of the population, controlled roughly 70 percent of Indonesia's private economy, including all of the country's largest conglomerates. More recently, in Burma, entrepreneurial Chinese have literally taken over the economies of Mandalay and Rangoon. 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. Ibo are a market-dominant minority in Nigeria. Croats were a market-dominant minority in the former Yugoslavia. And Jews are almost certainly a market-dominant minority in post-Communist Russia.

Market-dominant minorities are the Achilles' heel of free market democracy. In societies with a market-dominant ethnic 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 frus-

trated "indigenous" majority, easily aroused by opportunistic vote-seeking politicians, against a resented, wealthy ethnic minority. This confrontation 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, 2001, this confrontation has also been playing out in 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 size and numbers. As a result, we have become the object of mass, popular resentment and hatred of the same kind that is directed at so many other market-dominant minorities around the world.

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—precisely the people, in other words, 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 anti-market, anti-American leaders. For the last twenty years Americans have been grandly promoting both marketization and democratization throughout the world. In the process we have directed at ourselves the anger of the damned.<sup>9</sup>

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 over two decades now, the American government, along with American consul-

tants, business interests, and foundations, has been vigorously promoting free market democracy throughout the developing and post-socialist worlds. At times our efforts have bordered on the absurd. There is, for example, the sad tale of a delegation of American free market advisers in Mongolia. Just before they leave the country, the Americans are thrilled when a Mongolian official asks them to send more copies of the voluminous U.S. securities laws, photocopied on one side of the page. Alas, it turned out that the Mongolian was interested in the documents not for their content, but for the blank side of each page, which would help alleviate the government's chronic paper shortage.<sup>10</sup>

There was also the time that the U.S. government hired New York-based Burson-Marsteller, the world's largest public relations firm, to help sell free market capitalism to the people of Kazakhstan. Among other ideas, Burson-Marsteller developed a television soap opera mini-series glorifying privatization. In one episode, two hapless families desperately want a new house but don't know how to build it. Suddenly a hot-air balloon descends from the sky, bearing the name "Soros Foundation" in huge letters. Americans spring out, erect the house, and soar away, leaving the awe-struck Kazakhstanis cheering wildly.<sup>11</sup>

In the end, however, stories about American naïveté and incompetence are just a sideshow. The fact is that in the last two decades, the American-led global spread of markets and democracy has radically transformed the world. Both directly and through powerful international institutions like the World Bank, International Monetary Fund, and World Trade Organization (WTO), the United States government has helped bring capitalism and democratic elections to literally billions of people. At the same time, American multinationals, foundations, and nongovernmental organizations (NGOs) have swept 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 prescription 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. Working hand in hand, 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. In the process, ethnic hatred, religious zealotry, and other "backward" aspects of underdevelopment will be swept away.

Thomas Friedman has been a brilliant proponent of this dominant view. In his best-selling book *The Lexus and the Olive Tree*, 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. . . ."<sup>12</sup> (Unfortunately, notes Yale history professor John 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.")<sup>13</sup>

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 arguing that the solution to terrorism and militant Islam is: "Hello? Hello? There's a message here. It's democracy, stupid!"—"[m]ulti-ethnic, pluralistic, free-market democracy."<sup>14</sup>

By contrast, the sobering thesis of this book is 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, 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 fixates on—but any sense of improvement is overwhelmed by

their 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 Burma.

Introducing democracy in these circumstances does not transform voters into open-minded cocitizens 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." As America celebrated the global spread of democracy in the 1990s, ethnicized political slogans proliferated: "Georgia for the Georgians," "Eritreans Out of Ethiopia," "Kenya for Kenyans," "Whites should leave Bolivia," "Kazakhstan for Kazakhs," "Serbia for Serbs," "Croatia for Croats," "Hutu Power," "Assam for Assamese," "Jews Out of Russia." Romania's 2001 presidential candidate Vadim Tudor was not quite so pithy. "I'm Vlad the Impaler," he campaigned; referring to the historically economically dominant Hungarian minority, he promised: "We will hang them directly by their Hungarian tongue!"<sup>15</sup>

When free market democracy is pursued in the presence of a market-dominant minority, the almost invariable result is backlash. This backlash typically takes one of three forms. The first is a backlash against markets, targeting the market-dominant minority's wealth. The second is a backlash against democracy by forces favorable to the market-dominant minority. 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 anti-market backlash. 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?"<sup>16</sup> Mugabe himself was more explicit: "Strike fear in the heart of the white man, our real enemy!"<sup>17</sup> Most of the country's white "foreigners" are third-generation Zimbab-

weans. Just 1 percent of the population, they have for generations controlled 70 percent of the country's best land, largely in the form of highly productive three-thousand-acre tobacco and sugar farms.

Watching Zimbabwe's economy take a free fall as a result of the mass landgrab, the United States and United Kingdom together with dozens of human rights groups urged President Mugabe to step down, calling 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. Even if so, it is important to remember that Mugabe himself is a product of democracy. The hero of Zimbabwe's black liberation movement and a master manipulator of masses, he swept to victory in the closely monitored elections of 1980, 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.<sup>18</sup>

In the contest between an economically powerful ethnic minority and a numerically powerful impoverished majority, the majority does not always prevail. Instead of a backlash against the market, another likely outcome is a backlash against democracy, favoring the market-dominant minority at the expense of majority will. Examples of this dynamic are extremely common. Indeed, this book will show that the world's most notorious cases of "crony capitalism" all involve a market-dominant ethnic minority—from Ferdinand Marcos's Chinese-protective dictatorship in the Philippines to President Siaka Stevens's shadow alliance with five Lebanese diamond dealers in Sierra Leone to President Daniel Arap Moi's "business arrangements" with a handful of Indian tycoons in Kenya today.

The third and most ferocious kind of backlash is majority-supported violence aimed at eliminating a market-dominant minority. Two recent examples are the mass slaughter of Tutsi in Rwanda and, to a lesser extent, the ethnic cleansing of Croats in former Yugoslavia. In both cases a resented and disproportionately prosperous ethnic minority was attacked by members of a relatively impoverished majority, incited by an

ethnonationalist government. In other words, markets and democracy were among the causes of both the Rwandan and Yugoslavian genocides. This is a large claim, but one that this book will try to defend.

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*, 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."<sup>19</sup> Joining Frank in his criticism of "the almighty market" is a host of strange bedfellows: American farmers and factory workers opposed to NAFTA, environmentalists, the AFL-CIO, human rights activists, Third World advocates, and sundry other groups that made up the protesters at 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. With some important exceptions, including most of Africa, recent World Bank studies show that globalization's "trickle down" has produced benefits for the poor as well as the rich in developing countries.<sup>20</sup>

More fundamentally, however, like their pro-globalization counterparts, Western critics of globalization 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. As a result, the solutions that globalization's critics propose are often shortsighted and even dangerous when applied to non-Western societies.

Essentially, the anti-globalization movement asks for one thing: more democracy. Thus Noam Chomsky, one of the movement's high priests, has clarified that there is no struggle against "globalization" in the general sense, only a struggle against the global "neoliberalism" perpetuated by a few "masters of the universe" at the expense of a truly democratic community. Similarly, at the 2002 World Social Forum in Brazil, Lori

Wallach of Public Citizen rejected the label "anti-globalization," explaining 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 who call for "democratically empowering the poor majorities of the world."<sup>21</sup>

Given the ethnic dynamics of the developing world, and in particular the phenomenon of market-dominant minorities, merely "empowering the poor majorities of the world" is not enough. 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 wealth disparities 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 post-Communist societies. In the short run, however, they are part of the problem.

"Markets," "democracy," and "ethnicity" are notoriously difficult concepts to define. In part this is because there is no single correct interpretation of any of these terms. Indeed, I hope precisely to show in this book that the "market systems" currently being urged on developing and post-Communist countries are very different from the ones now in place in contemporary Western nations; that the process of "democratization" currently being promoted in the non-Western world is not the same as the one that the Western countries themselves went through; and that "ethnicity" is a fluid, artificial, and dangerously manipulable concept.

Nevertheless, some clarification of my usage of these terms is in order. In the West, terms like "market economy" or "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). Ironically, however, for the last twenty

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. In this book, unless otherwise indicated, terms like “marketization,” “markets,” and “market reforms” will refer to the kinds of pro-capitalism measures *actually being implemented today* outside the West. These measures characteristically include privatization, elimination of state subsidies and controls, and free trade and pro-foreign investment initiatives. As a practical matter, they rarely, if ever, include any substantial redistribution measures.

Similarly, while “democracy” can take many forms,<sup>22</sup> I will use the term “democratization” to refer to the political reforms actually being promoted and implemented in the non-Western world today. Thus, “democratization” will refer principally to the concerted efforts; heavily U.S.-driven, to implement immediate elections with universal suffrage. Needless to say, an ideal democratic society would surely include more substantive principles, such as equality under law or minority protections, but to build such principles into the definition of democracy would be to confuse aspiration with reality. It is striking to note that at no point in history did any Western nation ever implement laissez-faire capitalism and overnight universal suffrage at the same time—the precise formula of free market democracy currently being pressed on developing countries around the world.

Ethnicity is another controversial concept that has generated much debate. For purposes of this book, I will assume that “ethnicity” is not a scientifically determinable status. Rather, “ethnicity” will refer to a kind of group identification, a sense of belonging to a people, that is experienced “as a greatly extended form of kinship.”<sup>23</sup> This definition of ethnicity is intended to be very broad, acknowledging the importance of subjective perceptions. It encompasses differences along racial lines (for example, blacks and whites in the United States), lines of geographic origin (for example, Malays, Chinese, and Indians in Malaysia), as well as linguistic, religious, tribal, or other cultural lines (for example, Kikuyu and Kalenjin tribes in Kenya or Jews and Muslims in the Middle East).

Ethnic identity is not static 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.” This 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 much sharper ethnic divisions were later exploited by the leaders of Hutu Power.<sup>24</sup> Along similar lines, all over Latin America today—where it is often said that there are no “ethnic divisions” because everyone is “mixed-blooded”—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 contagiously potent.

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: that 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.

There are a number of misunderstandings about my thesis that I frequently encounter. I will do my best to dispel some of them here by making clear what I am *not* arguing. First, this book is not proposing a universal theory applicable to every developing country. There are certainly developing countries without market-dominant minorities: China



and Argentina are two major examples. Second, I am not arguing 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. Last, I am emphatically not attempting 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. Numerous overlapping factors and complex dynamics, such as 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 form 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. This has been the sobering lesson of globalization over the last twenty years.

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Part One of this book discusses the economic impact of globalization. Contrary to what its proponents assume, free markets outside the West do not spread wealth evenly and enrich entire developing societies. Instead, they tend to concentrate glaring wealth in the hands of an "outsider" minority, generating ethnic envy and hatred among frustrated, impoverished majorities.

What happens when democracy is added to this volatile mixture? Part Two addresses the political consequences of globalization. In countries with a market-dominant minority, democratization, rather than reinforcing the market's efficiency and wealth-producing effects, leads to powerful ethnonationalist, anti-market pressures and routinely results in confiscation, instability, authoritarian backlash, and violence.

Part Three discusses the phenomena of market-dominant minorities and ethnonationalism in the West, past and present. It also addresses the future: What should be done about the explosive instability that market-

dominant minorities inject into the pursuit of free market democracy? I suggest that the United States should not be exporting markets in the unrestrained, laissez-faire form that the West itself has repudiated, just as it should not be promoting unrestrained, overnight majority rule—a form of democracy that the West has repudiated. Ultimately, however, I argue that the best hope for democratic capitalism in the non-Western world lies with market-dominant minorities themselves.