

# **World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability**

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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 ethnos nationalism, pitting a frustrated “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

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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.

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 consultants, 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 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.

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In the end, however, stories about American naiveté and incompetence are just a side show. 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.

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."

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 minorities. 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, [and] jade, teak, and rubies in Burma.

Introducing democracy in these 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.” As America celebrated the global spread of democracy in the 1990’s, ethicized 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!”

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.

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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, ... 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 ... 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 a resented and disproportionately prosperous ethnic minority was attacked by members of a relatively impoverished majority, incited by an ethnos nationalist government. In other words, markets and democracy were among the causes of both the Rwandan and Yugoslavian genocides. ...

To their credit, critics of globalization have called attention to the grotesque imbalances that free markets produce. In the 1990's, 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 1920's." 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. 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 shows that globalization's 'trickle down' has produced benefits for the poor as well as the rich in developing countries."

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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 NGO's who call for democratically empowering the poor majorities of the world."

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 to 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.

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