

## DEMOCRATIZATION AND EQUALITY

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**Abstract.** Democratization – the improvement of the quality of democracy – is taking place in so far as democratic societies irregularly progress towards the political objectives of modern societies: security, freedom, material well-being, social justice and protection of the environment. Democratization is the outcome of the increase of two equalities: substantive political equality and economic equality. During the 30 Golden Years of Capitalism (1949-78) progress was sizeable and reflected in social theory in the struggle between modernization theory and Marxism, and on the rise of pluralist school of democracy. Yet, after a relative crisis in the 1970s democracy fell back as a reactionary ideology – neoliberalism – turned dominant and mounted an attack to the Social State and to equality. In the intellectual realm, social theory lost relevance, while liberal political theory turned dominant, and an utopian concept of democracy – deliberative democracy – dominated the debate on democracy. On the other hand, the rise of rational expectations based on a pessimistic view of mankind reflected the dismal times. The 30 Neoliberal Years of Capitalism collapsed in the 2008 global financial crisis. Meanwhile, the poor and a minority of republican citizens proved to be the real agents of democratization. We need to acknowledge their existence to understand why political progress eventually happens.

**Key words:** democracy, democratization, juridical equality, political equality, economic equality, reasonableness, republican citizens

An imbalance between rich and poor is the oldest and most fatal ailment of all republics.

Plutarch

Democracy is a form of government, but in our times it is also an ideal of free and equal citizens. In this latter sense, democracy is supposed to improve in the context of a capitalist society when we see the poor and a minority of middle class citizens to strive for it. The first step of

democratization occurred in many countries in the late nineteenth century, when the poor were the majority and succeeded despite all the obstacles. To understand the modern democratic state we need a minimal concept of democracy, but democratic theory must go beyond this concept and, once the transition to democracy was achieved, assess whether, in theoretical terms, the quality of democracy tends historically to improve (and why), and to assess, in case by case basis, whether democratization indeed took place. In other words, we are supposed to adopt a simply, minimalist and dichotomous concept of democracy, and, once the minimal condition was satisfied, to see how democracy gradually progress or democratization takes place.<sup>1</sup> As democracy is “the government of the people”, it implies the existence of free and equal citizens participating in government. Citizens are either endowed with the civil and political rights that make them free or they are not. But in relation to equality we cannot work with similar, discrete alternatives. In juridical terms citizens are equal in so far as their civil rights are assured or they enjoy civil liberties; they are also equal in *formal* political terms, as they have the right to vote and to be elected. But nowhere they are equal in *substantive* political terms, because they are not equal in talents, in knowledge, in participating in and leading political organizations, in opportunities to advance, or in income and wealth. When political equality and economic equality advance in a given country, the quality of its democracy improves, democratization occurs, and this nation experiences political development. The minimal concept of democracy requires juridical equality and formal political equality; but nothing is said about economic equality. Yet, despite setbacks, democracy has historically improved in so far as levels of economic development and of education advanced, and to the extent that improved democratic institutions made politicians more representative and accountable. Most national societies where democracy has been stable for more than, let us say, 50 years, the political regime is today more equal and more representative than it was 50 years ago. Democracy is likely to be more representative and more participative the longer is the period of time since this transition.

In this paper, my intention is not to demonstrate scientifically whether or not this is true. Given what I am able to observe, I will just assume that it is. What interests me is why this happens. How do national capitalist societies – the modern nation-states – progress politically, and how

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<sup>1</sup> Patrick Bernhagen (2009) opposes a “dichotomous” to a “graded” concept of democracy, but this is a false alternative. To define clearly democracy, we need a categorical definition; to assess democratization we are supposed to think in graded terms starting from this threshold.

and why does democratization takes place? A legitimate approach is to focus on discuss democratic institutions, an approach that has become dominant in political science in so far as we all know that institutions make a difference. Instead, I will adopt a societal approach; I will ask how civil society and the state interact and whether the quality of democracy eventually improves.

To discuss these questions some definitions may help. In this paper, a “nation-state” or a “country” is a territorial sovereign unity comprising a nation or a civil society, a territory and a state. A “modern state” (which in the United States is usually called the government) is the constitutional-legal system and the organization that enforces it; it is civil society’s main instrument of collective action; it is an historical institution whose members – the citizens – seek to improve over time, to make it the expression of their own rationality. A “government” or an “administration” is a group of elected and non-elected public officials who manage the state as an apparatus and reform the state as a legal system. “Civil society” and “nation” are two ways of looking at a politically organized society; civil society is oriented primarily toward freedom, social justice and the protection of the environment, while nation is oriented to national autonomy, national and domestic security, and economic development. In this paper, for the sake of simplicity, I will use a broader concept of civil society that includes national objectives. Democracy as a political regime is minimally defined as the system where freedom of opinion and the rule of law are in place (the civil liberties), and where the governing politicians are elected through universal suffrage. Politics is the art of arguing and making compromises in order to construct majorities and govern. Democratization is the improvement of the quality of democracy, the historical process through which citizens become more equal and politicians more representative and accountable. On the historical side, democratization is the process through which a national civil society is able to progress toward the achievement of the basic political objectives of modern societies: national autonomy, security, freedom, material well-being or economic development, reasonable equality or social justice, and the protection of the environment. On the conceptual side, democratization requires more representative and accountable administrations, and implies increasing political and institutional stability. These two aspects are closely interrelated.

The industrial revolution made economic development relatively self-sustaining, and income per

capita started to increase systematically in all countries that, with industrialization, completed their respective capitalist revolutions. Thereafter, these countries typically undertook consolidated transitions to democracy,<sup>2</sup> after which the quality of democracy improved. Democracy in the advanced economies was at first minimal – “elitist’ democracy” of the type that Schumpeter knew and defined – but in the more advanced countries, as citizens and civil society organizations endeavored to build and permanently reform their state, democracy became by several degrees “plural” or “social”, and in certain cases even acquired some “participatory” characteristics. Advanced capitalist societies are all democracies – they have legitimate democratic states where civil rights (or civil liberties) and political rights (or the right to vote and to be elected) are assured – but their civil societies are far from being reasonably egalitarian or democratic. Economic and political inequality – capitalism – has been the hallmark of the type of society where democracy became consolidated and widespread, and civil society in each such country reflects this inequality. In civil societies the political power of individuals varies positively with their wealth, knowledge and capacity to organize and communicate. The degree of inequality existing in civil society reflects the quality of its democracy. This is a central problem because equality in its three senses (juridical, political and economic) is not just a political objective in itself; it is also instrumental to political and institutional stability and to economic growth (Przeworski and Curvale 2006).

When the capitalist revolution and the rise of the liberal state opened the way for politics, for the purposive action of civil society demanding in turn civil, political and social rights, the parliaments in each country became engaged in the task of permanently reforming the state – the law and public administration. Yet, since it is easier to reform institutions than to change society, the institutional system often became more egalitarian and democratic than the society that political representatives were engaged in reforming. This is the fundamental contradiction characterizing modern democracies. An unequal society gave rise to a political system that assured equal juridical and political rights for all. It is a fertile contradiction because, besides the

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<sup>2</sup> A democratic transition is a “consolidated transition” when it takes place in a country where the economic and social conditions for it are present (essentially, the completion of the capitalist revolution); it is not consolidated when it happens in poor countries that are either under foreign pressure or decide to imitate democratic institutions.

dynamic character of technological progress, it is probably the basic reason for democratization or political progress to take place in so far as it in some way empowers people. In this paper I want just to discuss how that contradiction evolved historically in the more advanced societies in two recent moments: in the 30 years following World War II, the “30 Golden Years of Capitalism” (1949–78), and in the “30 Neoliberal Years of Capitalism” that ended with the 2008 global financial crisis. What can we expect in the coming years? Is it reasonable to say that the contradiction between society and state was reduced in the golden years, to increase again in the neoliberal years? Did democracy really retreat in the neoliberal years as capitalism imposed itself to democracy? Or was democracy able to resist the neoliberal assault? And what are we supposed to expect after the collapse of neoliberal ideology in 2008? A new democracy? The return to the social democracy of the 30 golden years? If we assume that the quality of democracy is defined not only in institutional terms but also in societal terms, if we understand that the quality of democracy depends on the quality of society, did the quality of democracy improve after World War II, or, on the contrary, have we witnessed not political development, but political stagnation, or, worse, political retreat? To offer some response to these broad questions I will, first, propose a simple model of democratization or of improvement in the quality of democracy, and, second, use this model to assess democratization in the post-war period, and to speculate on the future of democracy.

### **A simple model**

Since each national society creates its own state to regulate social, political and market relations, the relations between society and the state are mutually reinforcing: the more democratic society is, the more democratic will be the state; or, conversely, the more democratic the state institutions are, the more democratic will civil society tend to be. In every capitalist society we have the economic and societal aspect, the political and institutional instance containing civil society and the state, and the cultural aspect embracing the value and belief system of the society, its ideologies and religious beliefs. There is a dialectical relation between these aspects, between state and society, between democracy and capitalism, between political equality and economic equality. Or, in other words, social structure, institutions and culture are mutually endogenous. But these relations between state and society are also unbalanced. When we

compare countries, their civil societies may be more or less democratic, and more or less active or participatory; their states and respective democratic institutions more or less legitimate, more or less adequate. In his classical preface to *Contribution to the Critique of Political Economy*, Marx defined historical materialism and asserted that at certain moments the economic and technological relations existing in society advance historically in relation to the respective institutions and value system – or in relation to its state – which opens the way for a period of social and political revolution. This was true in relation to the Industrial Revolution and the related French Revolution; it was a good explanation for the transition from pre-capitalist to capitalist society and from the absolute to the liberal state. Yet in the twentieth century this relation was inverted as a consequence of two transitions. First, the liberal recognition of juridical equality or the achievement of the new civil liberties empowered citizens and opened the way for democratic politics. From that moment, civil society became the main political actor building or reforming the state. Economic development and the transformation of class relations continued to play a major role in social and political change, but, now that civil society was clearly separate from the state, politics exercised by free citizens exerted an increasing influence. The second transition in the more advanced societies happened in the turn of the twentieth century, when universal suffrage was achieved and the transition from the liberal to the democratic state materialized. In this second stage of political development, the autonomy of civil society and of democratic politics further increased. If we understand the economy as the realm of necessity and politics as the realm of freedom, this second transition opened the way for increased democratization. The challenge, now, was to transform formal political equality (one citizen one vote) into substantive political equality – a much more difficult task involving the assurance of social rights and/or the reduction of economic inequality.

Democratization implies more than just liberty – it requires equality, which cannot be only juridical equality (this was the liberal political achievement) or only formal political equality (this corresponds to elitist democracy or liberal democracy). It also requires substantive political equality, which in turn depends on the improvement of economic equality. While in the case of juridical and formal political equality (one citizen one vote) the objective is full realization, in the case of substantive political equality and economic equality we must be realistic and more modest, and consider individuals, their interests, their life projects, and their talents. Michael

Walzer's "spheres of justice" helps us to think about that. Now what I want to suggest is that economic equality as well as substantive political equality must be "reasonable" and that even the more advanced societies are still far from this ideal of reasonableness. But this is not a utopia; it is something that can be, and is being, achieved.

In the more advanced capitalist societies there is a basic asymmetry or contradiction: they achieved juridical and formal political equality, but were less successful in achieving substantive political equality and a reasonable degree of economic equality. This is not surprising because modern democracy was born of the capitalist revolution, from the rise of a new form of organizing production which is more efficient than the previous one, but is not conducive or friendly to equality. Democracy was born of capitalism. It became a historically viable political regime when in capitalism, in the first really market economic system, the economic surplus was no longer appropriated through the direct control of the state apparatus but was appropriated through profits. Now, instead of reducing people to slavery or servitude, or imposing taxes on colonies, or plundering neighboring societies, or establishing royal monopolies, the new and large bourgeois class was able to realize profits in the market. Before capitalism, the dominant feudal or imperial oligarchies imposed an absolute veto on a political regime in which the alternation of power was a necessary feature. If they loosened their control of the state, they would not just lose political power, they also would cease to be rich. Thus, the major societal transformation that was the capitalist revolution was the necessary condition for the emergence, first, of the liberal state, and, second, of the democratic state.<sup>3</sup> In this historical process, the fear of expropriation of the rich by the poor, or the fear of the "tyranny of the majority", which originally was intense and resulted in a veto on universal suffrage gradually diminished to the point where it virtually disappeared, and the transition to democracy happened.

As Norberto Bobbio (1985: 37) maintains, although liberal elites have historically mistrusted it, democracy may be viewed as a natural consequence of liberalism, "provided that we take democracy in its law-institutional sense, not in its ethical sense". In other words, democracy follows liberalism provided that we content ourselves with minimal democracy, not with

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<sup>3</sup> I developed this theme in "Why did democracy become the spread and consolidated regime only in the twentieth century?" (Bresser-Pereira 2002b).

continuous democratization. Discussing the history of universal suffrage, Pierre Rosanvallon (1992: 12) remarks that after the French Revolution all political forces were against democracy. Liberal elites “denounced universal suffrage as a threat of the subversion of politics by the passion of the many. The assertion of civil rights is a necessary condition of democracy, but not a sufficient one. In addition to civil liberties, democratization implies improved equality. Democracy as an ideal is not just defined by formal political equality or universal suffrage; it requires substantive political equality and a reasonable level of economic equality. The emblems of the French Revolution were liberty, equality and fraternity. Liberalism is associated with liberty; democracy with political equality; socialism with economic equality and fraternity. The requirements of socialism are harder to achieve. Probably for that reason no existing society qualifies as socialist. As for democracy, many societies can be considered democratic since the conditions of its existence are less demanding. But a reasonable level of economic equality is necessary if democratization is to occur. And reasonable economic equality should not be confounded with equality of opportunity, which is a technocratic or meritocratic value that liberals were ready to adopt. Lloyd Warner (1953) associated equality of opportunity with social mobility and called it “the American dream”. A dream never realized, but, in the event of being achieved, could be consistent with a substantially unequal society. If democracy is government by the people, it is a political regime in which citizens are supposed to realize their wills in the laws and policies of the state. But this objective cannot be achieved in a society where the differences in income among individuals are very high. Civil society is a politically organized society; it is a mode of political organization where the power of each citizen is measured by the command he has of money, knowledge and political organization. Thus, to the extent that differences in wealth and income (as well as of knowledge) existing in a civil society remain great, this society will not exhibit a reasonable level of political equality, and the quality of its democracy will be poor.

Democratization was, and continues to be, a complex and confused historical process. The confusion began with the American Revolution, which was an aristocratic and liberal, not democratic, revolution. Yet, probably because the United States was the first modern republic, Americans soon defined their political regime as a democracy despite slavery and the absence of universal suffrage. Alexis Tocqueville, in his classic *Democracy in America*, legitimized this



claim. Adam Przeworski (2009: 281) is right when he says that “democracy was a political, but not an economic revolution”, and so we should not be surprised that “democracy did not undermine property”. Yet it is difficult to agree with him when he asserts that “democratic citizens are not equal but only anonymous, indistinguishable by any traits they may possess. Democracy only places a veil over distinctions that exist in society. Even the one sense in which equality that can be said to characterize democracy – equality before the law – is derivative from anonymity: the law has to treat all citizens equally because they are indistinguishable”. Przeworski makes more sense when he affirms in the same paper that “the democratic revolution was never ‘completed’ by being extended to the economic realm”. Indeed democratization did not advance enough to satisfy democrats (and, to a higher degree, socialists whose demands of economic equality are stricter). Why? For many reasons, but among them is the successful opposition of the bourgeois and the professional classes, of liberal politicians and political theorists, not only to economic equality but also to political equality.

The conflict between the equality demanded by democrats and the liberty required by liberal politicians and philosophers was born of the French Revolution. Eventually, like the English Glorious Revolution and in the American Revolution, the French Revolution was liberal. Unlike in the two previous revolutions, however, in the French Revolution there was a struggle between democrats and liberals, which the liberals won. Thus, for the first time in modern times, democrat citizens and politicians participated in politics. Democratic politics was emerging. As John Dunn (2005: 124–126) remarks, “in America the story of democracy has blended indistinguishably into the political history of the country”. In Europe, the distinction between liberalism and democracy remained clear with the emergence in the French Revolution of the figure of Gracchus Babeuf, leader of the 1794 Conspiracy of Equals. His history was celebrated by Filippo Michele Buonarroti. According to Dunn, “the main motif in Buonarroti’s account was his insistence on equality as the Revolution’s deepest and most transformative goal... the fundamental struggle on which the revolution had turned, in the eyes of both Babeuf and Buonarroti, was the struggle between the order of egoism and the order of equality”. And this, John Dunn concludes, was “one reason why democracy remained such a fiercely divisive political category in Europe”, while a “very different view worked out in practice at the same time in the United States”. In France, Babeuf was sentenced to death, democracy was

demonized, and duly postponed. In the United States, democracy was also postponed; for more than thirty years after the French Revolution it was discredited by the American elites;<sup>4</sup> but in the end, instead of being demonized, it was co-opted by the establishment and was soon legitimized by democratic ideology.

Liberal elites resisted democracy fiercely. First, they used the argument of the tyranny of the majority. When it was clear that it was impossible to avoid progress toward universal suffrage, they accepted it, but took democracy on board by calling it “liberal democracy” – an expression in which “liberal” was the key word. Under liberal influence, democratic theory and conventional language identified democracy with “liberal democracy”, although in fact “liberal democracy is a historically contingent form, not a normative last word” (Crouch 2004: 3). Actually, at the turn of the nineteenth century, democracy was just liberal or elitist democracy, and the adjective “liberal” was exact. Yet fifty years later in Europe democracy became “social” as an extensive welfare state was established. It was time to drop the adjective “liberal” to depict democracies in developed countries to the extent that liberal democracy corresponds, theoretically, to the minimal concept of democracy and, historically, to elitist or Schumpeterian democracy.

If democratic politics is not committed to a reasonable level of economic equality, democratization will be an empty term. Improvement in the quality of democracy or of substantive political equality does not require full economic equality – this is impossible – but entails the reduction of economic inequality. In the conflict between liberty and equality, liberty won because capitalism is consistent with liberalism, not with democracy; because the priority of the rising bourgeoisie was freedom, not equality; because the equality that was in the interest of the capitalist class is juridical equality, the elimination of the legal privileges of the aristocracy, the rule of law and the assurance of property rights and contracts: it is not political equality, much less economic equality.

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<sup>4</sup> As Charles S. Maier (1992: 125) observes, “with the collapse of the few dozen Democratic Societies in the mid 1790s, discredited by their support for France and tarred by President Washington as accomplices of the Whisky Rebellion, the term disappeared from American usage until the founding of the Jacksonian Democratic Party in the late 1820s.”

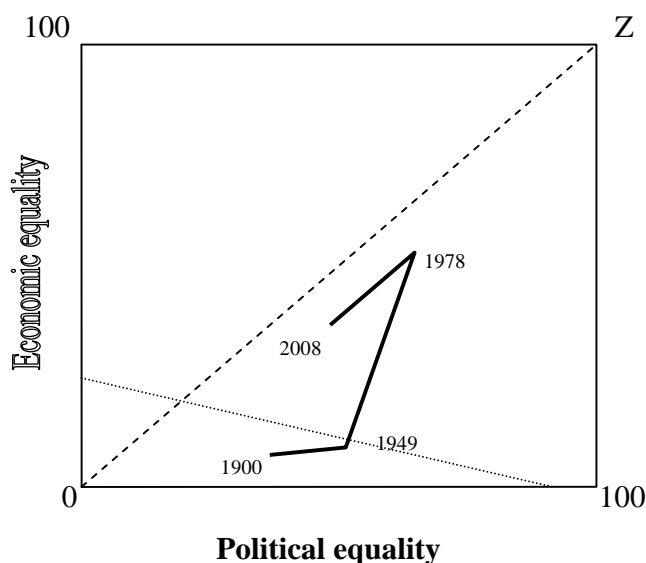
The capitalist revolution opened the way for the liberal state and for limited democracy in so far as it excluded economic equality or social justice. Capitalist societies are individualistic societies in which liberty has priority over equality and fraternity. Competition is the rule; equality is rejected, and fraternity is relegated to the private domain in so far as it is not considered a political concept. The capitalist revolution depended on the recognition of civil rights – of the assertion that all citizens are entitled to individual freedom and equal respect – but if the emergence of capitalism had not been accompanied by the rise of a large and relatively organized working class, political rights (the universal right to vote and to be elected that defines minimally democracy) would not have been assured, or would have been realized much later. As for social rights and the reduction of economic inequalities, capitalism was and continues to be restrictive. Advances also occurred as a result of political action on the part of the poor and a republican middle class. Economic equality is not part of the definition of capitalism. On the contrary, when compared with socialism, the “strength” of capitalism lies in the fact that it does not need to confront and reduce the inequality between individuals that exists for natural and (principally) historical or social reasons. Whereas socialist revolutions faced the extremely difficult task of reducing economic inequality, and were able to make progress in this area only at the expense of democracy, liberal capitalism hails inequality as a necessary condition for individual motivation and economic efficiency – for its capacity to promote economic growth.

Nevertheless, just as capitalism was unable to prevent the affirmation of political rights, and, eventually, accepted democracy, it was also unable to hold back the affirmation of social rights that was assured after World War II. In the neoliberal years, liberal elites failed to achieve their goal of wiping out the welfare state. Thus, it is possible to predict that conservative elites will be unable to avoid the next democratic achievement: the assertion of environmental and republican rights – the rights that each citizen has that the public patrimony is used for public objectives – which has been rising since the last quarter of the twentieth century (Bresser-Pereira 2002a). This fourth historical type of citizen rights gained historical relevance as democratic societies became increasingly concerned with the protection of the public patrimony, which is permanently subject to the rent-seeking or the greed of individuals. While liberalism was the ideology that protected defenseless individuals against a powerful and absolute state, republicanism is today the ideology that searches to protect the *res publica* or the public

patrimony against powerful individuals and organizations.

To assess democratization we may use only two concepts – political equality and economic equality – and devise a simple historical model. This model is presented in graphical form in Figure 1, which depicts the democratization path of rich countries since around 1900. In this figure, the vertical axis measures economic equality and the horizontal axis political equality, from 0 to 100 percent. In the bottom left corner, political and economic equality are zero (0), both increasing toward the opposite corner (Z) – the “ideal democracy corner” – in which reasonable political and economic equality would be assured. The diagonal line between the two corners defines the balanced path in this direction – democratization’s “balanced path line”. Another diagonal line crossing the horizontal axis further from the 0 corner than where it crosses the vertical line is the “democratic threshold line”: above it and to the right, we have democracy; below it and to the left, authoritarianism. The democratic threshold line assumes this form because the minimal requirement to define democracy in terms of political equality is higher than the minimum requirement in terms of economic equality. Under the minimal definition of democracy, a political regime is democratic when the civil liberties, free elections, and universal suffrage are assured. In this definition there is not even any mention to economic equality. Nevertheless, I assume in the model that democracy requires a minimal degree of economic equality. Using Michael Walzer’s (1983) concept of “spheres of justice”, when economic inequality is wide rich individuals cross the borders of the economic sphere of justice and invade the political sphere so often and with such determination that the actual political regime does not correspond to the minimal concept of democracy.

**Figure 1: Supposed democratization path of rich countries**



For each country the improvement in the quality of democracy will involve progress toward greater political and economic equality, towards Z. This may be surprising to analysts accustomed to liberal and elitist democracy, where the concern for equality was much weaker than the concern for liberty. Yet, if we bear in mind the original conflict between liberals and democrats in the French Revolution and during most of the nineteenth century, we will see that this conflict was basically between liberty and equality. Liberals accepted civil or juridical equality (equality before the law), not political equality (the universal right to vote and to be elected) or a reasonable level of economic equality, while democrats fought for universal suffrage and demanded a reduction in economic inequality. They did not demand full economic equality, as the socialists did, but they realized that political equality requires a reasonable degree of economic equality.

The path toward improved democracy is real but is not balanced; in drawing the actual historical

democratization path for each nation, this line will be always to the right of the balanced path line, in so far as political equality will be usually ahead of economic equality, or, in other words, in so far as the institutions are more egalitarian than society. Yet, to the extent that institutions advance in relation to the economic structure, they open the way for a majority of poor and workers associated in some way with a minority of middle-class citizens inspired by republican sympathies to fight in the name of their moral convictions and, so, to promote further democratization or further improvement in the quality of democracy. In Figure 1 I depict what I believe has been roughly the democratization path of rich countries. Four years are key in this path: 1900, the year around which these countries crossed the democratic threshold by adopting universal suffrage; 1949, when the 30 Golden Years of Capitalism began; 1978, the first of the 30 Neoliberal Years of Capitalism; and 2008, the year of the global financial crisis. Between 1900 and 1949, the line is short and almost horizontal in relation to the abscissa because liberal or elitist democracy showed some advance in political equality and practically no advance in economic equality. In the neoliberal years there is progress in both counts; but during the last neoliberal years the figure depicts limited regression.

### **The 30 Golden Years of Capitalism**

Democratization – the improvement in the quality of democracy beyond the democratic threshold line – is not just a concept; it is a reality, a historical process that can be observed in each country as it engages with and succeeds in its capitalist revolution. Democracy has progressed in all nation-states that have completed their capitalist revolutions. With the capitalist revolution – this tectonic economic and political change that began around the thirteenth century in northern Italy and was first completed in Britain in the early eighteenth century – economic development became a reality and was self-sustaining. This historical process of capital accumulation, technological progress and improvement in standards of living became relatively automatic because, for the first time in history, the reinvestment of profits was a condition of survival for business enterprises competing in the market. In this new historical context, the completion of the capitalist revolution in each country meant that the large capitalist or bourgeois middle class became the dominant class. It also meant that the economic surplus ceased to be appropriated through the direct control of the state by the imposition of taxes and other

constraints, and was appropriated through the realization of profits in the market. Thus, the direct control of the state ceased to be a necessary condition for the dominant class to become the ruling group, and as a result the bourgeoisie were unable to impose a full veto to democracy as the feudal nobility had done. In the political realm, the capitalist revolution signified the transition from the absolute state to the liberal state – to a political regime where the rule of law was assured and civil rights asserted. It meant that civil or juridical equality was established.

Yet democracy would have to wait another century to materialize. Political equality, the full guarantee of political rights including universal suffrage, became reality only around the turn of the twentieth century, when successive elections with limited but increasing voting rights convinced the capitalist class that the threat of the “tyranny of the majority” was not real, that its fear of expropriation by the poor as a result of elections was groundless. In this moment, the second veto on democracy – the veto on universal suffrage – was suspended, and the democratic political movements existing in each developed country achieved democracy. Although *transition to democracy* was completed, democratization was just beginning. From that moment on, democracy became the dominant political regime in advanced societies, but this version of democracy corresponded to its minimal concept; it was elitist or liberal democracy, the type of democracy which Joseph Schumpeter had known in his lifetime and that he normatively supported: the maximum that elites should “concede” to the masses or to the poor. It was a form of democracy in which rival elites competed for the votes of the masses in elections, but in between elections these elites could ignore the masses and govern according to their own interests and priorities. The new liberal democracy involved definite progress in relation to the liberal state, because it involved the achievement of political equality – not full political equality, because citizens continued to exercise unequal degrees of power in civil society, but formal or juridical equality: one citizen one vote.

Democracy and the demand for economic equality were not really envisaged in the British (Glorious) or the American (Independence) liberal revolutions; they were discussed and rejected. And, after that, the two demands were separated. In the democratic fight for universal suffrage, democracy was the objective, not economic equality, which was “forgotten” in the democratic transitions that occurred in the developed societies in the turn of the twentieth century. This was not surprising because these transitions didn’t happen on the initiative of the capitalist class, but

without its veto if not with some support. Yet the demand for economic equality did not die: it was redefined in mid-nineteenth century in terms of the revolutionary demand for socialism, for the socialization of the means of production. The 1848 *Communist Manifesto* of Karl Marx and Friedrich Engels was the central great narrative that oriented the new fighters for economic equality. The new political ideas, however, presented two major problems. First, they involved the full reorganization of the economy, the transformation of the “mode of production” from capitalism to socialism; but it was not clear how the new socialist system would assure economic equality, since individuals and social groups could remain deeply unequal even if private property in the means of production was abolished. Second, revolutionary socialism broke with democracy: instead, a “dictatorship of the proletariat” of indeterminate duration would be required to achieve the revolution.

Given these difficulties, the socialist movement took two directions: in developed countries it evolved to social democracy; in some developing countries, mainly Russia and China, it turned into bureaucratic statism. Social democracy was thought as a stage to socialism, but Adam Przeworski (1985) forcefully argued that this was not the case because the experience of socialist revolution did not prove to be rational for the working class: in the balance sheet of gains and losses, gains were not certain. As for the experience of socialism, the transfer of political power to the working class proved to be practically unviable. Socialists were successful in taking power in Russia and China, but these were not developed economies in which an increasingly well-organized working class was supposed to lead the socialist revolution. Thus, it is not difficult to understand why a political middle class took power and the socialist ideal turned into a “statist” economic and political system under the control of a new technobureaucratic or professional class. The first challenge the revolutionary intellectuals had to face was how to introduce socialism in a society that had not yet accomplished its industrial revolution – the moment in which the capitalist revolution is completed. In all capitalist societies except India, industrialization took place under authoritarian regimes and was accompanied by increased inequality. The new really existing socialist societies had also to industrialize, but at the same time had to reduce economic inequality. Thus, it is not difficult to understand why in these “really existing socialist countries” the political regime was so authoritarian and underwent two historical conversions. The first of these was the conversion of the socialist revolution into



statism or state capitalism; the second conversion – from statism to capitalism – occurred in China in the early 1980s and in Russia in the late 1980s. The unintended and paradoxical consequence of the socialist revolutions was, eventually, capitalist revolutions in Russia and China. The statist regimes achieved some economic equality at the expenses of democracy. Yet, besides equality, economic growth and the improvement in standards of living were also conditions for their political legitimacy. Thus, when these two latter conditions of legitimacy faltered, there were two outcomes, which depended on the sequencing of the economic and the political reforms: in the Soviet Union the decision to open the political system first made the entire existing economic system collapse, and capitalism was chaotically re-established; in China, the decision to begin with economic reform and postpone democracy made the transition to capitalism much more successful in terms of economic growth. In both cases, the relative economic equality previously achieved was lost. As for democracy, some advance was achieved in Russia, though it is doubtful whether we can define its political regime as democratic, while China remains strictly authoritarian.

Meanwhile, in rich countries Schumpeter's political pessimism in relation to democracy and democratization proved wrong. In the United States with President Franklyn Delano Roosevelt's New Deal in the 1930s, and in northern and western Europe after World War II, there was a major change in the democratic liberal state. Chiefly in Europe, it lost some of its liberal traits so that liberal democracy changed into social democracy or into a welfare state. In the United States, after the death of President Roosevelt, political progress was slowed except in race relations, while in Europe the main countries were able to grow fast, to institute a welfare or social state, to improve electoral institutions, and, so, to reduce relatively political and economic inequality.<sup>5</sup>

This major change took place in the historical context of the 30 Golden Years of Capitalism (1949–78). In this period the world experienced huge progress, a major economic, social and political step forward. This was a period of fast economic development for both rich and developing countries. For the rich countries, it was principally the moment in which western and northern Europe as well as Japan converged to the levels of development of the United States. It

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<sup>5</sup> I refer to France, Germany, Britain, Italy, the Netherlands, Switzerland and the Scandinavian countries.

was also the period when many developing countries like Brazil, Mexico, South Africa, Korea, Malaysia and India became engaged in their respective capitalist revolutions and turned into middle-income countries, or, in the financial language, “emerging markets”. In international politics, this was the time of the Cuban revolution, and of the economic achievements of Soviet Union that led its leaders to bet that it would soon overtake the American economy.

The 1950s and the 1960s were times of growing demands, growing hopes and growing achievements. At the cultural level, jazz was in the ascendant, the Beatles and pop music were transporting multitudes, and a hippy counterculture was full of promises. The golden years were the period in which international finance was regulated by the Bretton Woods agreement and assured reasonable financial stability; it was the time in which Keynesian and development economics were mainstream in the universities and set the standards for the macroeconomic and growth policies of individual countries, the IMF and the World Bank. Contrary to most predictions, this was also a time when economic equality improved in the rich countries. In these countries, since mid-nineteenth century wages had been increasing approximately at the same rate as productivity, which kept the ratio of wages to profits stable. After the war technological progress changed from “neutral” to “capital saving” in so far as industrialization now involved the substitution of more efficient or less costly machines for old ones more than the simple substitution of capital for labor. This increasing productivity of capital was consistent with wages increasing above the productivity of labor and the profit rate remaining constant at a level that encouraged business firms to continue to invest and allowed the economy to grow. Labor, in its turn, had become better organized and more able to negotiate wage increases.

### **An optimistic social theory**

These were definitively optimistic times. And this optimism was reflected in the intellectual and ideological debate. Two major ideologies – liberalism and socialism – and two historical schools of social thought – modernization theory and Marxism – disputed the floor. Both believed in progress and saw a bright future ahead. Liberalism’s utopia was materialized in American society – the democratic society of mass consumption that Walt W. Rostow (1961) identified formally as the last stage of economic development. For the sociological modernization school, and for the political scientists who were then founding political science, American society was

not perfect but it was the model to be replicated in all other countries. Democracy was the synonym of America. Most Western Marxists had no model to follow since the Soviet Union was increasingly diverging from the socialist ideal, but they still viewed the statist countries as an indication that an alternative economic system to capitalism was feasible, and that the authoritarian character of this system could be reformed in a democratic direction.

In relation to the theory of democracy, modernizing political scientists and political theorists had a clear advantage over the Marxists. They had the American experience to serve as basis for their theoretical drive, for the pluralist theory of democracy that they developed in the 1950s and 1960s. Social and political theorists such as Seymour M. Lipset, Giovanni Sartori, Robert Dahl, and Norberto Bobbio emphasized the relative autonomy of politics, asserted the importance of economic development for democracy, defended democracy's plural character, and drew attention to its cultural or value aspects. The main achievement of political pluralism was Robert A. Dahl's historical concept of polyarchy: the democracy possible – the democracy existing in the United States. Using a historical or “descriptive” approach mixed with Madison's normative method, Dahl decided “to consider as a single class of phenomena all those nation states and social organizations that are commonly called democratic by political scientists”, and he looked “for the conditions that would be necessary and sufficient in the real world in order to maximize so far as may be possible popular sovereignty and political equality” (Dahl 1956: 63, 75). As a result, he basically defined polyarchy as the political regime where constitutional and social checks and balances are so combined that we have seven institutions: elected officials, free and fair elections, inclusive suffrage, the right to run for office, freedom of expression, alternative information, and associational autonomy (Dahl 1989: 231). In this definition, as well as in most of the literature on political pluralism and democracy, political equality is required, economic equality is mostly ignored. Dahl does not discuss economic equality in his book; he just makes a “realistic” comment: “it is an open question whether business will turn in satisfactory performance in a privately owned, market oriented economy, if wealth and income are massively redistributed” (p. 102). In sum, the problem of economic equality does not exist for the liberal, pluralistic theory of democracy.

Marxists were critical of this theory of democracy and, more broadly, of capitalism. They viewed this democracy just as “formal” or a “bourgeois” democracy. But, actually, they had no

alternative definition of democracy to offer. The works of Antonio Gramsci and Nicos Poulantzas enabled them to develop a competent theory of the state where they acknowledged that the state was no longer the “executive committee of the bourgeoisie”, but “the condensation of the class struggle”, or, in other words, the expression of a wider and changing civil society. Their positive discourse on democracy, however, was poor and unconvincing. As Norberto Bobbio (1984: 104) underlined, “Marxists have often lamented the superficiality and bias of Marx’s destroyers, but, with no less reason, liberals have protested against the summary liquidation of the great conquests of the liberal thought”. Historically democracy turned reality based on the definition of the civil liberties. Nevertheless, liberals fought democracy with the argument of the tyranny of the majority, and, later on, accepted it on certain conditions. Marxists contributed to democracy in so far as they criticized the lack of concern with economic equality in liberal-democratic thought; but if we read, for instance, C. B. Macpherson (1965: 22), we realize how unsatisfactory the Marxist theory of democracy is. Macpherson was right in saying that “democracy in this broader sense has always contained an ideal of human equality, not just equality of opportunity to climb the class ladder”. Indeed, the democratic ideal does not demand just political equality; it requires a reasonable level of economic equality. But it makes no sense for Macpherson to identify an actual political system as democratic because it contains an ideal of human equality, or to say that the communist societies of his time were “democratic in broader sense”.

### **Democracy in the 30 Neoliberal Years of Capitalism**

The next 30 years would be the 30 Neoliberal Years of Capitalism. The 1970s were the years when the new hegemony of the United States was for the first time challenged, the decade of the defeat of the United States in the Vietnam War, the time of continuous growth in western and northern Europe except Britain,<sup>6</sup> the decade in which the relative economic stagnation of Soviet

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<sup>6</sup> The European Community was born in the 1967 Merger Treaty that brought together the 1957 European Economic Community, the 1957 European Atomic Energy Community, and the 1951 European Coal and Steel Community. In 1993 it was transformed into the European Union.

Union began, the years of the rise of the newly industrializing countries (NICs)<sup>7</sup> – the developing countries that, for the first time, competed with rich countries in exporting manufactures. They were also years of economic crisis – of the suspension of the convertibility of the dollar, of the first oil shock that multiplied oil prices by four times, of falling profit rates and low growth rates in the United States, and of stagflation, again in the United States. The crisis opened the way for neoliberal economists to preach the possibility of self-regulated markets, and for liberal political theorists again to raise their voices. They had been remained outside mainstream economics and mainstream political and social theory; but they were waiting. The crisis in the United States and in Britain opened the way for the recovery of their “naturally” dominant role in capitalist societies. Economists like Friedrich von Hayek, Milton Friedman and James M. Buchanan, and philosophers or political theorists like Karl Popper, Isaiah Berlin and Robert Nozick, were in the forefront of this theoretical and ideological change.

The crisis in the United States, the rise to power of Prime Minister Margaret Thatcher in Britain in 1979 and of President Ronald Reagan in the United States in 1981 offered an opportunity to conservative neoliberal ideology – an opportunity that was not lost. The economists made Keynesian economics and the social state the culprit for stagflation; they explained the difficulties that American society was facing in terms of laws protecting labor that reduced incentives to work. The new ideas were critical of the increased role that the state had assumed in social democracies; according to this critique the state had become a huge and dangerous behemoth. Neoliberalism was a political attempt to go back to the nineteenth century, to an idealized laissez-faire liberalism. In the economic sphere, the new tenets were privatization, deregulation, flexibilization of labor laws, reduction of social expenditures, the end of progressive taxation, and tax cuts; in the political sphere, it was necessary to restore individual freedom and liberal democracy, which had been seriously threatened by “socialist” social policies. In other words, the neoliberal critique was directed at the social democracy that had replaced liberal democracy or elitist democracy in Europe; it was also directed at the progressive

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<sup>7</sup> The NICs were the “Asian tigers” (South Korea, Taiwan, Singapore and Hong Kong), Brazil and Mexico.

“liberals” in the United States, who wanted to reproduce the European social state.<sup>8</sup>

Counting with the control of two key national states, United States and Britain, the new ideas soon became dominant and the new policies – market-oriented institutional reforms – were put into practice. The simplest thing to do was to privatize some competitive state-owned enterprises that really did not need to remain under the control of the state; but soon this process involved privatization of monopolistic public services. Deregulation, which is often necessary to correct possible regulatory excesses, was soon transformed into irresponsible deregulation of monopolist industries and of financial markets. The elimination of progressive taxation did not reach the “ideal” of a flat tax, but went a long way in this direction. Elected politicians and their governments in each country were summarily classified into the good or modern “reformists” and the bad or backward “populists” or “nationalists”. When, in a neoliberal (and capable) publication like *The Economist*, we read the word “reformist” characterizing a political party, it means that it is a “good”; when we read that a given politician is undertaking “reform”, this means that he is undertaking market-oriented reforms, and that growth and stability are on the way.

In some cases these reforms made economic systems a little more efficient; in most cases they made them more unequal and more unstable. The neoliberal reforms were conservative, that is, they were in the interest of the rich, of the taxpayers. And in all countries they did produce a general increase in economic inequality. Wages remained quasi-stagnant and profit rates were relatively constant at a satisfying level to businesses investing in production, while the speculative rents of capitalists (originating in financial innovations) and the salaries and bonuses of professionals (who among other things conceived of such “innovations”) skyrocketed. While in Fordist capitalism (which prevailed from the beginning of the twentieth century to the 30 Golden Years of Capitalism) the overarching political coalition was dominated by mass-

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<sup>8</sup> In this phrase I am using “liberals” in the American conventional sense to mean progressive citizens as opposed to “conservative” ones. In the European wording and the terminology of political theory, in the nineteenth century liberals opposed on one hand democrats and on the other hand conservatives; today liberals are conservatives in so far as they are opposed by socialist or progressive individuals. Neoliberals are those who adopt radical economic liberalism, or market fundamentalism.

production businessmen and counted with the new middle class and workers whose wages increased with productivity, in the 30 Neoliberal Years of Capitalism the ruling political coalition was dominated by rentier capitalists, whose rents increased four times more than real production after 1979, and by the bright young professional financiers from the top 20 MBAs (master of business administration programs) who developed the financial innovations that were instrumental in the creation of fictitious capital in the form of capitalist rents.

Neoliberal reforms and generalized deregulation were also instrumental in increasing financial instability. Banking crises and asset bubbles in rich countries and currency crises or balance of payment crises in developing countries were much more frequent in the neoliberal years than in the Bretton Woods years. Reinhart and Rogoff (2008: 6, Appendix) identified only one banking crisis from 1947 to 1975, but 31 from 1976 to 2008. Based on the authoritative recent book of these two economists (Rogoff and Reinhart 2009: 74, Fig. 5.3), I sum up the percentage of years in which the same number of countries faced a financial crisis in these two periods of an equal number of years. The result confirms the enormous increase of instability: in the period 1949–75, this sum of percentage points was 18; in the period 1976–96, 361 percentage points!

Such results did not have a trade-off. The increase in economic inequality and in financial instability was not compensated by the higher rates of growth that neoliberal and politicians and economists promised. On the contrary, growth rates fell from 4.6 percent a year in the 30 glorious years (1947–76) to 2.8 percent in the following 30 years. If we take into consideration the negative rates in 2009 and the low rates that the present financial crisis will cause in future years, the overall fall in growth will be greater.

### **Utopian political theory and pessimistic political science**

After the early 1980s liberalism gained a new lease of life, became radicalized and turned into neoliberalism. Liberal democracy and its ideologues flourished and turned into an export commodity. The American Congress created an agency – the National Endowment for Democracy – whose brief was to spread democracy throughout the world. Liberty became the supreme political value, and democracy the instrument to ensure freedom. Socialism was discredited, social democracy, a second best. Sociology and social theory lost legitimacy;

political theory, rational choice political science and neoclassical economics became dominant. Following the publication in 1971 of John Rawls's liberal *Theory of Justice* and in 1974 of Robert Nozick's neoliberal *Anarchy, State and Utopia*, political theory experienced a new blossoming, while sociology and social theory lost weight. Now, in the United States the intellectual heroes were no longer sociologists like Talcott Parsons, Robert Merton or Wright Mills, but political theorists and political scientists. Instead of regarding society and democracy as real historical phenomena, analyzing its conflicts and contradictions, and examining its tendencies, as sociology (including modernization theory) does, the new mood was normative and new institutionalist. Instead of considering economic and social structures and their relations with the ideological system and with institutions, as Karl Marx, Emile Durkheim, Max Weber, Norberto Elias and the American modernization school did, the new method was to return to institutions, either through normative political theory or through hypothetical-deductive rational choice. This was the time when major sociologists like Jürgen Habermas and Ralf Dahrendorf changed from sociology to political theory. In economics, this was the time of the resurgence of neoclassical economics and general equilibrium theory, soon "completed" or made "dynamic" by Robert Lucas's neoclassical macroeconomics and by endogenous growth models. This was the time of methodological individualism, of *homo economicus* and rational expectations. Based on simplified assumptions on agency, and adopting a hypothetical-deductive method that is as inappropriate to social science as it is to economics but makes possible the use of sophisticated mathematics, neoclassical economics was able to build ideological castles in the sky with a scientific appearance.<sup>9</sup>

Given the "success" achieved by neoclassical economics – its complete domination of the departments of economics of the main universities – political scientists tried to transfer the same kind of reasoning to political science. They had good reason for that: liberal political theory and pluralist political science often assumed an idealized individual. Yet soon it became clear that a fully hypothetical-deductive methodological individualism such as the one adopted in economics was not minimally viable in political science. If economists were not able to build a sensible

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<sup>9</sup> On the critique of neoclassical economics because it uses a method that is appropriate to methodological science, not a substantive science like economics, see "The two methods and the hard core of economics" (Bresser-Pereira 2009).



science based on the assumption of individuals motivated just by personal gain, what to say of political science and political theory where power (not money) is the game? Rational choice political scientists don't assume that officials are motivated just by the desire to become rich; instead, they assume that they make trade-offs between rent-seeking and the desire to be re-elected, or, in the case of non-elected officials, rent-seeking and the desire to be promoted. In doing this, they are immediately prevented from building hypothetical-deductive castles in the sky. Instead, they have to concentrate in empirical research, often of limited range, but useful; or, when they undertake broad and relevant historical political analysis, as Adam Przeworski did in relation to the failure of socialism to win the support of the working class, the use of rational motives to explain collective action does not involve a priori reasoning as is the case of neoclassical economics; instead, it is a sensible a posteriori rational explanation of observed collective behavior.

In this new intellectual and liberal environment, political theorists and rational choice political scientists adopted curiously opposite approach to democracy. Whereas liberal political theorists, headed by John Rawls, developed an "egalitarian liberalism" that defined equality as equality of opportunity, and adopted a normative, idealist and optimist theory of democracy – the theory of deliberative democracy – rational choice political scientists, consistently with their negative view of human nature, adopted a pessimistic view of democracy. While the former in practical terms identified social justice with equality of opportunity, and so asserted the possibility of social justice in the realm of capitalism, the latter often warned citizens and politicians of the perils of state intervention because of rent-seeking behavior. The new political theorists were able to set the intellectual agenda and displace social theory from the top position it had occupied since Marx, Weber and Durkheim proved that it was possible to build a social theory endowed with a high degree of generalization as well as of explanatory power. Yet liberal political theorists were unable to achieve a monopoly of mainstream political theory in so far as social theory survived in the works of communitarian and republican political theorists like Michael Walzer, Charles Taylor, Steven Lukes and Michael Sandel, while, on the left, a critical approach to democracy emerged in the writings of authors such as Claude Lefort, Chantal Mouffe, Boaventura de Souza Santos and Jacques Rancière.

In the realm of political science, rational choice soon encompassed a large collection of political

scientists from various ideological traditions, but committed to empirical research oriented to the improvement of democratic institutions. On the ideological level, rational-choice political scientists varied widely from progressive theorists like, for instance, Adam Przeworski, who never forgets the role of history and of institutions in the determination of political behavior, to the radically conservative and neoliberal theorists leading the public choice school, who view public officials as a variety of bandit involved exclusively in rent-seeking. They share, however, a political pessimism that derives from their negative view of politicians and public servants, and expresses itself in the view that democracy will be always of a limited, Schumpeterian nature. It will embody some rules of the game that assure the rule of law and the civil liberties and, in the context of universal suffrage, the alternation of power between mass political parties dominated by political elites. In most cases, this is as far as they can go. As one would expect, this approach to democracy offers predictions that in the short term are often right because their distrust of mankind has a strong foundation in reality. Yet this pessimism renders them unable to explain why, despite these shortcomings, the quality of democracy improves historically.

### **The hatred of democracy**

Actually, in the neoliberal years the quality of democracy in rich countries did not improve. I would rather say that it got worse as radical individualism prospered and as economic inequality increased. Studying democracy in the rich countries, Susan Pharr and Robert Putnam (2000: 7–8) found that “citizens in most Trilateral democracies are less satisfied – often much less satisfied – with the performance of their representative political institutions”. Yet these two authors “find no evidence of declining commitment to the principles of democratic government”. In the same vein, Pipa Norris (2002: 3) wrote a book to “revise popular assumptions of a contagious plague of citizens apathy... the obituary of civic activism is premature”. Ronald Dworkin (2006: 127) remarked that after World War II American society lost its reasonable cohesion as it became radically divided into conservatives and progressives – a fact that probably contributed to Dworkin’s dismal assessment of democracy in the United States and his proposition that “our national politics fails the standards of even a decent junior high school debate”. Thus, the last 30 years were hard years for advanced democracies, citizens became insecure and disillusioned, but they didn’t lose their faith in democracy. Different was the fate of democracy in several middle-

income countries. Spain, Portugal, Greece, Argentina, Brazil, Mexico, South Africa, South Korea, Indonesia, and several eastern European countries, among others, made their transitions to democracy. In the large literature on democratic transitions that developed from this major democratic advancement, a common and tautological explanation attributed democratic transitions to the “victory of the soft line military over hard line ones”. Actually, these middle-income countries had recently completed their own capitalist revolutions and were ready for democracy. For some time the Cold War or the fear of communism held democracy back. Since the early 1970s, however, Soviet Union had stagnated and 20 years later collapsed. Meanwhile, the fear of communism disappeared, which made local business elites open to civil society’s demands for democracy.

Yet democratic transitions were not limited to middle-income countries. Under the influence of rich countries and even of neighboring middle-income countries, many poor countries that clearly had not completed their respective capitalist revolutions also made their transitions to democracy. These countries remain primary producers; their economies are based on the production of commodities exploiting their natural resources from which they derive major Ricardian rents. These rents are a blessing because countries may use them to industrialize and grow, but they are also a curse –the “Dutch disease” – in so far as they have two evil consequences. The economic consequence is that these countries’ national currencies become permanently overvalued and block industrialization; the political consequence is widespread corruption. Given the large difference between the international prices of commodities and the costs of production, the state captures some of these rents through the imposition of taxes on commodity exports. This is the correct thing to do to depreciate the exchange rate (the business enterprises producing the commodity are entitled only to profits, not to rents), but the outcome is generalized rent-seeking and a violent struggle for the control of the state that is inconsistent with democracy. That is why democratic governments in poor countries are permanently under threat of *coups d’état*, why democracy is so unstable in these poor countries.

In the 30 neoliberal years the increase in economic inequality was not the only reason why democracy did not improve in the more advanced societies. Another reason was resistance to democracy in the two dominant classes: the business class and the professional class. The capitalist class is based on capital and is interested in the guarantee of property rights and

contracts and in the realization of profits; the professional class is based on knowledge, and is interested in high salaries and bonuses; it is for freedom, but is committed to the “liberty of the moderns”, not to republican liberty. Thus, when Winston Churchill said that “democracy is the worst form of government, except for all those other forms that have been tried from time to time”,<sup>10</sup> he was not joking but acknowledging the new prevalence of democratic regimes. Liberal politicians and businessmen accepted democracy in the moment of the transition from the liberal to the democratic state not because they liked it (they are always insecure in relation to their outcomes) but because they were under constant pressure from democrats, because actually existing democracy eventually did not cause them harm, and also because authoritarian regimes are still more unpredictable and dangerous. Thus, something that for longer was not “rational” for them – did not attend their interests – eventually attended as liberal democracy proved innocent.

In a classic 1984 essay on the future of democracy, Norberto Bobbio wrote about “democracy’s undelivered promises”. They are many: democracy promised to be the government by the people but is often the government by elites elected by the people; it promised to be representative but never enforced the imperative mandate (the possibility of revoking politicians that fail to fulfill his commitments); it promised to involve the whole public space, but reserved several areas to bureaucratic and oligarchic power; it promised transparency, to eliminate “invisible power”, but was unable to; it promised to educate all citizens and make them responsible, but failed to. Why was democracy unable to deliver its promises? Democracy is not just a political regime but also a political ideal. If this is so, why do national societies have such great difficulty in democratizing? Why is this political ideal always distant? There are many answers to this question, such as, for instance: because people are not equally educated; because institutions do not assure representation and accountability; because economic constraints set limits to the demands of the poor; because the poor face major difficulties in expressing and defending their interests. The first answer is concurrently true and biased: true because the quality of democracy depends strongly on the level of education of the people; biased because it is often associated with the belief that the richer and more educated are more able to vote and decide than the poor and the less educated. Elites are more educated, but the very logic of democracy is that elites mix

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<sup>10</sup> House of Commons speech on November 11, 1947.

up the public interest with their own interests, and so the only legitimate decision criterion is the interest of the majority. The second answer is always correct because institutions matter, and because they may always be better, but if reforming institutions was the magic solution to democratization, reforming Haitian institutions would produce a Denmark... The third and the fourth answers also are relevant. But in this paper I want to focus in one major and seldom discussed obstacle to democratization: the resistance to or the hatred of democracy on the part of capitalist and professional elites or the rich.

Democratization advances slowly because the rich are ambivalent toward democracy; they believe that they love democracy but often they hate it. Jacques Rancière (2005: 7) is probably the political theorist who has most strongly expressed this view: “capitalists hate democracy”. The claim is radical, but I believe that it is essentially correct. I would just add that professionals also hate democracy. In other words, the two dominant social classes in modern post-industrial capitalism (the capitalist and the professional classes) see democracy as a restriction or as a negation of their own “natural” political power, as a limitation of the power to which they are entitled because they control the two strategic factors of production in modern societies: capital and knowledge. Democracy continues to be for them a dangerous and unpredictable political regime – a regime where the demands of the people are beyond the capacity of the economic system to supply. This hatred of democracy is not reserved to the political far right. The far right expresses it openly, while among most of the capitalist and professional elites this sentiment is hidden or unconscious. When Rancière writes about the “hatred of democracy” he is not just reasoning metaphorically, nor is he being excessive. There is no reason why in political and social theory we should not use concepts that were mainly developed by psychoanalysis. Men and women do not love or hate just other men and women; they also hate ideas and institutions. And our hatred is often legitimate. We hate slavery, racism, fascism. But, from the standpoint of the dominant value system in a given society, the assertion on the existence of hatred of democracy may also lack legitimacy or be open to controversy. In the era of the liberal state, liberals rejected democracy openly in so far as they felt threatened by expropriation at the hands of the poor. In the era of the democratic state, this hatred can no longer be open – it is unacceptable socially – but hatred or rejection does exist. The rich are no longer seriously afraid of the poor, but most of them do not like them, do not respect them. This may not be conscious

but it is a real sentiment that is transformed into actions. Whereas Marx and Engels showed that ideologies are unconscious value justifications of class interests, Freud showed that sentiments are determined by unconscious individual impulses. Nevertheless hatred is present in our everyday life and in our political life.

When Guillermo O’Donnell (2004: 17, 25) says that “a democratic regime includes elections that are fair and institutionalized, as well as an institutionalized, inclusive, and universal wager” and adds that “everywhere, the history of democracy is the history of the reluctant acceptance of this inclusive wager”, he is saying that democracy presupposes citizens who bet on it, who accept the risks involved. In other words, according to my historical approach to democratic consolidations, democracy involves a risk; these risks were ultimately accepted when the hatred of democracy was reasonably controlled because the economic elites ceased to depend on the direct control of the state to remain rich. Democracy was possible only when the rich took the risks. They accepted the wager, but not fully; not wholeheartedly. Rancière explains the hatred of democracy by the fact that “democracy is the realm of the unlimited wills of a mass of individuals”. In this realm, the rich and the well-educated experience “disgust in relation to the people, to their customs; for them democracy is a corrupted form of government”. An additional explanation for this hidden and ambivalent attitude is that the fear of expropriation still remains. John Dunn (2005: 130–131) remarks that liberals’ previously open scorn for democracy has changed into a surreptitious hatred today:

For most of its history as a word, as we have seen, far more of those to whom it meant anything at all viewed it with scorn or suspicion than felt any trace of admiration for it. Today, things could scarcely be more different. In practice, such scorn and hatred are still often every bit as intense as they were. But in most settings at most times they now find it prudent to express themselves considerably more surreptitiously.<sup>11</sup>

Thus, there is a double discourse on democracy: in public, most of the rich, whether capitalists or professionals, praise democracy, because they have no alternative to propose, but in private, even though they are no longer afraid of democracy, they continue to view it as a danger, as a

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<sup>11</sup> He adds that there are exceptions: people or organizations that today show principled opposition to democracy such as Iran’s Guardianship Council. Yet a large number of “patrons of opulence and distinction” – the rich, in my terminology – are more surreptitious.

source of irrationality and insecurity. This is even more true in the recently democratized middle-income countries . Everywhere the rhetoric of the rich is democratic but their practice often is not. How does this hidden hatred express itself practically? In several ways – which all have as unpredictable consequences a weak state (instead of a capable or republican state) and a limited democracy. First, this dislike of democracy is expressed in the electoral system: the rich reject the public financing of electoral campaigns, and in this way are able to “buy” politicians. In several European countries democrats have already won this battle, and made the power of money less decisive, but in most democracies that outcome is far from being secured. Second, the dislike of democracy is expressed in limiting the size of the state or the increase in the tax burden to finance social expenditures. Neoliberals know that the state is supposed to guarantee property and contracts or, more broadly, social order. This is the liberal support that they need. Yet they also know that the poor demand from the state another public good, namely, welfare, the affirmation of social rights. This means a larger state, a social or welfare state that is able to provide social security, and collective (that is, equal) consumption of health care, education, and so on. The rich reject this kind of state because it means they have to pay more taxes. Actually, the tax burden is a good indication of the level of solidarity existing in a country and of the quality of its democracy. It is not by accident that the more democratic countries – the Scandinavian ones – have also the highest ratio of taxes to GDP. Third, the hatred of democracy is expressed in the limitation of the power of the state. This is true rather for the capitalist than for the professional or bureaucratic elite. The laissez-faire ideology is ingrained in the bourgeoisie. Capitalist elites don't reject only a state involved in production; they say that instead they want a regulatory state, but actually they want deregulation; they want only market coordination. And we know that deregulated markets are not just inefficient markets, they are also inconsistent with democratization. Fourth, hatred of democracy is expressed in the systematic demoralization of civil servants and (mainly) of politicians who are elected to represent the people. The intellectuals claim that officials seek employment by the state only to get involved in rent-seeking and become rich. The media are permanently accusing public officials of being incompetent and corrupt. This is often true, but it is true of only some, not all of them. Yet, in so far as politicians' political legitimacy is being permanently questioned, they are neutralized, and their capacity to respond to the demands of the people is reduced. Fifth, the hatred of democracy is expressed in the exclusion of democratic politics from key regulatory

agencies that are supposed to act “technically”, “scientifically” instead of being subjected to populist or irresponsible politicians. Some autonomy for these agencies is naturally important, but if one really believes in democracy one cannot agree that elected politicians act with less responsibility than bureaucrats, much less that bureaucrats are more accountable than politicians. Politicians themselves are often ready to delegate to expert bureaucrats the regulation of money or of monopolies, but when this is transformed into a general rule – as it was in the 30 Neoliberal Years – this is an authoritarian expression of the hatred of democracy. To summarize, the hatred of democracy is the hatred not of freedom but of equality. It is reasonable levels of substantive political equality and of economic equality that are rejected.

### **E pur si muove!**

Civil society is the agent of political change, and the hidden hatred of democracy, is a major obstacle to democratization. But this hatred no longer characterizes civil society as a whole, as it did when Hegel distinguished it from the state. At that time civil society was bourgeois society, a “burgher society”; today, in the more developed democracies, civil society is much broader and equal than it was at that time. Since the early twentieth century the poor and the republican sectors of society have been able to promote democracy. Hesitantly, contradictorily, with ups and downs, democratization is happening. The neoliberal years were a moment in which democracy retreated, as reasonable levels of political and economic equality were under attack, but it retreated less than neoliberals worked for and expected. The welfare state was essentially preserved in Europe; equality was reduced, but democratic institutions were not seriously damaged. Meanwhile, several middle-income countries completed their capitalist revolutions and became reasonably consolidated democracies.

Why does democracy continue to advance? What are the movers of democracy within civil society? The liberal response is “individual agency” – men and women endowed with practical reason make reasonable choices. O’Donnell (2004: 26) adopts this view as a presumption: “the presumption of agency is another institutionalized fact, one that in the originating countries is older and more entrenched than the democratic wager and fair elections.” It is difficult for me to understand this kind of reasoning. It is vague; it explains little. Democracy is an historical phenomenon that must be explained historically. Historically, two groups are the movers or the



agents of democracy: the poor or the working class, because they are the main beneficiaries of democracy, and the republican minority of the middle class, whose members are able to make trade-offs between their private interests and the public interest. I don't believe it is necessary to argue about the fact that democracy was always a victory for the poor and that they are the ones who gain most when a country moves from authoritarian to democratic rule. Before democracy, they have no political power. Then, in the framework of elitist democracy, they have a little power. And in one way or another they use this power not to change everything, but to gradually achieve some protection and support from the state, usually by increasing the tax burden and increasing the social services delivered by the state. For instance, in his analysis of southern Europe, mainly Spain and Portugal, after the democratic transition of the 1970s, José María Maravall (1993) shows how the tax burden was radically increased to finance social services. The same happened in Brazil after the 1985 transition to democracy. I suppose that this political outcome is the rule rather than the exception after democratic transitions that are realized by civil society instead of being imposed from abroad.

What to say in relation to a republican minority? I don't want to go back to the endless debate between the liberals and the republicans, between those who assume that individuals are egoistic, working only for their private interests, and those who have a less pessimistic view of individuals, between those who make society's coordination depend on competition and lawful coercion and those who believe that cooperation or solidarity also have a role to play in political affairs. I just want to make two remarks. First, it is impossible to understand democratization if we count only with the poor as its agents. They have a key role, but by themselves they don't have the ideological and organizational capacities to make democracy advance. Second, even if we are pessimistic, we must acknowledge that among men and women there are those who may be viewed as republican – as citizens acting in the name of the common good or the public interest. They are neither saints nor heroes, but they share some political values, they believe in liberty and equality or in democracy, and they fight for it. They don't ignore their own interests, but, to consider just the politicians, just as we have politicians who only make trade-offs between rent seeking and their desire for re-election, there are others – probably a minority – who make trade-offs between their desire for re-election and the pursuit of the public interest. The politicians, the civil servants and the citizens in civil society who belong to this second category

– who make trade-offs between their self-interest and the pursuit of the public interest – are probably a minority. But they do exist, because we see them, because empirical or historical observation confirms their existence, and because we need them to explain political progress, democratization. We may always deny their existence, but, in this case, we will also have to deny democratization, and believe that democracy will always be elitist and Schumpeterian. Actually, we will have to be more radical, and just deny the possibility of democracy, because we will not be able to explain its emergence.

Yet modern societies made their transition from the absolute state to the liberal state, and from the liberal state to the democratic state. Since then, democratization – the improvement of democracy, the gradual and erratic path toward a more free and equal society – has taken place. This path is far from being clear. The simple model that I presented in the beginning of this paper is a rough approximation. The rich in the advanced societies resist democratization, but are confused because they have already realized that democracy is a more favorable form of government than authoritarianism. In an authoritarian regime, the rich will be usually more powerful, but the risks are also greater; authoritarian politicians are more difficult to control than democratic ones. In middle-income countries elites are still more confused, but tend to support liberal democracy. In poor countries they are definitely against democracy. Thus, even in the more economically developed societies, elites will continue to hold back democratization – to limit economic and political equality. They will continue to reject progressive taxes, to maintain low or non-existent inheritance taxes, to object to the spread of social services that provide collective or egalitarian consumption. And they will always have arguments in their favor. Usually, they will argue that inequality is more efficient, that it stimulates hard work, that it encourages innovation or entrepreneurship, that it is more meritocratic – as if meritocracy was itself a good thing.

Nevertheless, democratization will not be stopped. Because there is no reason to believe that technological progress and economic development will come to an end. Because in the interstices between civil society and the state democratic politics will continue to happen. Because the poor and the middle classes will continue to press for a better democracy. Because a minority of republican citizens and politicians will continue to play a role in politics. In this political process the supposed objective is to make the state as well as society more equal. The

capitalist class continues to play the dominant role, and there is an increasing role for the professional class; but as democracy inevitably empowers citizens and politicians, it is endogenously subject to improvement. Citizens will continue to be politically active in the realm of civil society or of the nation – in the realm of civil society oriented to values like freedom, social justice and protection of the environment, in the realm of the nation oriented to objectives like security, national autonomy, and economic development.<sup>12</sup> Politicians and high public servants, in their turn, will continue to conduct politics in the realm of civil society and in the realm of the state apparatus that they govern and manage – a democratic politics that certainly will face all sorts of obstacles and difficulties. A democratic politics that the rich will be ready to put in doubt if not demoralize – as they tried to do in the 30 Neoliberal Years of Capitalism but eventually failed. My cautious optimism is based in the entire reasoning that I have developed in this paper, to which I add an additional and highly relevant reasoning that I have not developed in this paper. This reasoning is that the economic and technological constraints on greater economic equality are being reduced because technological progress is increasingly capital-saving – which makes wage increases above the productivity rate consistent with a satisfactory profit rate, and, consequently, permits the reduction of inequality while economic development continues to happen – an economic development which has not yet been able to prove consistent with protection of the environment, but which is already consistent with the reduction of economic inequality.

In the more advanced societies, democracy has been social democracy since World War II. Social democracy was able to confront the neoliberal years. Now that this era is over, can we expect a new democracy? A new stage of democratization? I hope so. But it will not be deliberative democracy. What we can hope for is some kind of participative democracy. In modern democracies there is no room for popular deliberation. There is, however, room for discussion, for public debate, and for several forms of participatory action. In this kind of democracy, which I hope is emerging, citizens do not deliberate but are heard before laws and policies are defined; citizens do not have means to punish politicians except by denying their

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<sup>12</sup> From now on, just to make it simple, I will only refer to civil society as the politically organized society in which citizens and civil society's organizations debate and promote either their corporative interests or their republican objectives.

votes, but are able to make them and public servants more accountable. The Brazilian Constitution, which was savagely attacked by neoliberal political scientists and politicians after its approval in 1988, has several provisions allowing for popular participation – some of which are enforced. Many other democracies have similar provisions in their constitutions, in their laws, or in their political practice. These institutions indicate a more democratic future.

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