

## **RESUMO**

A democracia tornou-se o regime preferido apenas no século XX. Para entender esse processo, um método puramente de escolha racional não é suficiente. O autor busca um novo fato histórico que levou a essa mudança de preferência e o encontra na Revolução Capitalista. Por parte dos capitalistas, a democracia é o regime político que melhor assegura os direitos de propriedade e o cumprimento de contratos. Por parte dos trabalhadores, é o regime que garante que os salários cresçam mais proporcionalmente em relação aos lucros. No plano internacional, atualmente, os principais países não têm inimigos dentro ou outros estados-nação. Aos poucos, a Política de globalização substituiu o antigo sistema – a Diplomacia de Equilíbrio de Poderes – a medida em que a globalização é regulamentada, e o império da lei emerge no plano internacional. Globalização é inerentemente injusta para com os países pobres e em desenvolvimento, que são incapazes de competir em um mundo onde a competição prevalece em toda a parte. Tais países são simplesmente excluídos do sistema ou, frustrados, recorrem ao terrorismo. Através do debate e argumentação, será possível criar um sistema internacional legal menos injusto. E através dele, há esperança de que a idéia de um governo internacional deixe de ser mera utopia.

## **PALAVRAS-CHAVES**

Democracy, Economic development, Capitalist Revolution.

## **ABSTRACT**

Democracy became the preferred regime only in the twentieth century. In order to understand this, just a rational choice method is not enough. The author searches for the new historical fact that led to this preference change, and finds it in the

Capitalist Revolution. On the part of the capitalists, democracy is now the political regime that best assures property rights and contracts. On the part of workers, it is the regime that more securely assures that wages increase with profits. At the international level, nowadays, the major countries do not have enemies among other nation-states. Slowly Globalization's Politics replace the previous system, - balance of powers diplomacy - as long as globalization gets regulated, and the rule of law emerges at international level. Globalization is inherently unjust to poor countries, that are unable to compete in a world where competition prevails everywhere. Such countries are either just outside the system, or, frustrated, recur to terrorism. Through politics, i.e., through debate and argument, it will be possible to create a less unjust international law system. And also though it, there is hope that an international government ceases to be a mere utopia.

## **KEY WORDS**

Democracy, Economic Development, Capitalist Revolution.

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# DEMOCRACY AND THE CAPITALIST REVOLUTION

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## I. INTRODUCTION

This report comprehends two mutually-supplementing papers. In the first one, I study the appearance and consolidation of democracy at the level of nation-states as a consequence of the capitalist revolution; in the second, I deal with the transition from the international balance of powers diplomacy system to the globalization politics system as a consequence of the fact that the capitalist revolution was able, from the late twentieth Century, to open up all markets to global capitalism. The capitalist revolution involved changed how surplus is appropriated from violent forms under which the ruling needed to control the State in order to remain as such to market-based forms: profits and, later, high wages. At the moment this happened, room was made for the popular forces that, one way or another, always fought for democracy to gradually achieve their intent. The capitalist revolution ended – in wealthy countries – in the early twentieth century, but only after one century under the liberal regime, in which voting was the privilege of the rich, was democracy finally attained.

With democracy, wars between nations should have ended, but another half-century, until 1945, had to pass before this happened. Since then, and particularly since the end of the Cold War, the balance of powers diplomacy, characterized by conflicting powers that threatened one another with war, gave way to the international globalization politics system. From this perspective, globalization is no longer a mere technological and economic phenomenon, but an essentially political one. And its guiding principle is no longer strength – although strength is not to be underestimated – but negotiation and argument with an aim to building an international legal system in the same way as nation-states that were born under absolute monarchies, gradually made room for politics and became democracies.

## **II. WHY DEMOCRACY BECAME THE PREFERRED REGIME ONLY IN THE TWENTIETH CENTURY**

Today democracy is the dominant political regime in developed countries and tends to be so in the countries of intermediary development. On the other hand, democracy became such a strong political value that nobody challenges it. Academics and politicians may criticize the democratic regime they live, and may have different normative ideas about the ideal democracy and how to improve it. Authoritarians may claim their regimes to be democratic when they obviously are not. But there is a broad consensus on the virtues of democracy and the evils of authoritarian regimes. The good state, the good political regime, is the democratic one. This consensus, however, is recent, as modern democracy is a recent phenomenon. Advanced democratic countries only became real democracies in the twentieth century. Why democracy became the dominant political regime so late historically? Why before, since the Greeks, philosophers preferred some form of monarchy or aristocracy to democracy? Or, when they preferred democracy, like Rousseau, they were not speaking about a representative but of a direct democracy in city-states.

We can tackle the same problem on a different standpoint. Why it is legitimate to say that the democratic political society is a recent historical phenomenon – a political regime that only became dominant in advanced countries in the twentieth century? Given a positive answer to this question, four other related questions follow. Why such broad support for democracy coming from the ruling and the ruled classes, from the rich and the poor? How did such major political change influence political theory? Are we assuming that democracy is the regime that permits modern societies to achieve social order, justice and economic well-being? If so, which was the new historical fact that made people change their minds?

I know that these questions have no simple answer. Nevertheless, I will try to offer some. I have been questioning myself about them since the mid 1970s, when Brazil started its transition to democracy. In 1977, for the first time I sketched an answer

to this question.<sup>1</sup> In the following year I published a book explaining why the transition to democracy had began in my country and why it would be successful, using that answer as a theoretical assumption. I argued that Brazil would necessarily return to democracy because the country had already completed its ‘Capitalist Revolution’. Thus, democracy was the only political regime that made sense to a capitalist economy in the long-run. In the short-run a threatened capitalist class could choose authoritarian rule. But, as long as, in a market economy, the control of the government ceases to be a survival condition for capitalists, they will first become less resistant, and, next, favorable to the people’s demand for democracy.<sup>2</sup> In this paper I try to develop more clearly this theoretical argument, linking the people’s or the poor’s long-term preference for democracy with the change of vision (and interests) on the part of the capitalist or the rich classes. I argue that, with the advent of capitalism, for the first time in the history of mankind the appropriation of the economic surplus ceased to depend on the control of the state by the ruling classes, because it ceased to depend directly on the use of violence. This major change opened room to democracy to become, in the twentieth century, the equivalent to the good state, the political regime more consistent with political stability.

Probably it is already clear that the theory I sketch is a historical theory, related to the classical theories of capitalist development originated in Smith and Marx and to the modernization theories coming from Weber and Parsons. Although rational interests are essential to the argument, I don’t use a pure rational choice method because it is impossible to deduce logically democracy’s recent dominance. This is a historical fact that requires a historical method. Essentially it requires to consider, besides the interests, the historical new facts that changed them, making democracy

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<sup>1</sup> I refer to *Estado e Subdesenvolvimento Industrializado*. See chapter 3, where the emergence of the liberal state and of democracy are related to the form of appropriation of economic surplus and to capitalism (Bresser-Pereira, 1977: 89).

<sup>2</sup> See *O Colapso de uma Aliança de Classes* (1978). While in the well-known studies about democratic transitions edited by O’Donnell, Schmitter and Whitehead (1986) transition in Brazil is seen mainly as an internal question among the military – a victory of the soft-liners over the hard-liners –, and as a consequence of international pressures, I present it as the necessary outcome of the new support of the business class to democracy in the moment that it ceases to fear communist subversion (which was the reason for the breakdown of the democratic regime in 1964).

preferable, tuning it the political regime more consistent not only with freedom (this I assume as true by definition) but also with political stability, and, so, more suited to promote political justice.

In this paper, when I speak of good political state as the democratic one, I am thinking in the Aristotelian sense of polity. Not in the ideal Platonic state, but in the possible state, in the state which is at our reach, or, at least, at the reach of rich countries, or of most advanced democracies. I am thinking in a democratic polity in which huge differences in individual wealth and individual knowledge persist, but which is already able to secure social order or political stability and basic freedom, and is capable to provide a reasonable welfare system, some equality of opportunity, and respect for all citizens as equals in rights. Nevertheless, I understand this polity as being democratic because it (1) is a constitutional regime assuring the rule of law, (2) because it assures freedom of association, of speech and of information, (3) because government members are regularly chosen through free and competitive elections, and (4) because it assures the universal right of voting and being voted, or, in other words, because it has an inclusive conception of citizenship that take in the women and the poor as equals in rights. In other words, I understand as democratic a political regime that broadly satisfies Dahl's criteria to define a poliarchy.<sup>3</sup>

## **1.The Philosopher's View**

Most political philosophers had as basic criterion to define the good state: political stability. Thus, they were against democracy because they realized, in their time, that monarchy or aristocratic monarchy, in spite of all its problems, was abler than democracy to keep the regime stable, to assure social and political order. While democracy was constantly victim of factions and demagogues, the good monarch

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<sup>3</sup> See Dahl, 1971: 1989: 233. Yet, note that, although I believe that Dahl's distinction between modern democracy and polyarchy is useful in certain circumstances to distinguish an ideal form of government from reality, and also from the Greek democracy. , In this paper I will use modern democracy or just democracy and polyarchy as synonyms.



could assure stability to a nation. Monarchy rather than democracy was the “good polity”.

There are ideas and expressions that come and go. “Good government” and “good state” fall in this category. They were popular among classical philosophers but lost acceptance in modern times. Yet, the questions – What is a good government? What is the good state or the good political system? – are central to political theory.<sup>4</sup> Science avoids to be normative, but political philosophy or theory has no other alternative but besides saying what is, to say what must or should be, and political scientists cannot avoid value judgment when doing research. We are often asking ourselves if the government in office is doing well or not, if the state institutions are adequate or not. We have a lot of critical remarks to offer, and, sometimes, suggestions. We know that good government makes a difference, and that good institutions – good laws, sound costumes, well structured organizations – are essential for life in society.

In the past the normative view about the good political regime was clear: it should be monarchical or aristocratic, not democratic. The maximum that could be admitted was the Aristotelian ‘mixed regime’, where some aspects of democracy were combined with authoritarian rule. The Greek philosophers dealt with this question straightly. Since their objective, when discussing politics, was the good life or happiness, and since they believed that state institutions and governments have a major influence in producing these results, they were either outright authoritarian and advocated a king philosopher, as was the case of Plato, or, were more realistically, like Aristotle and Polibius, and contented themselves with a mixed regime, where the oligarchic (government of the rich) and democratic (government of the people) elements were present. They did not distinguish the state from

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<sup>4</sup> When dealing with this question in the English language we have a problem. American English usually uses the word ‘government’ for state. When Americans speak of government in the European and Latin American sense, they have the expression ‘administration’ as a partial substitute. We, Latin Americans, like the Europeans, use ‘state’ for the political institutions or the political system and for the state apparatus, while “government” as the group of individuals that, in the Executive, Legislative and Judiciary branches, have the power to make the major political decisions; and also as the political process of making these decisions and having them enforced. I will adopt my own culture’s tradition, but, borrowing from John Rawls, I will often use political society with the same meaning as state.

government, the political institutions and organization from the political rulers. But both Plato and Aristotle, in *The Republic* and in *The Politics*, claimed that justice was the objective of the state, and that, to justice be achieved, institutions should be stable, the rule of law observed, and governments' members should possess moral virtues and practical wisdom. Presently there is almost no doubt on the distinction of the state as constituted of institutions and a state apparatus, from the government or administration – the politicians and senior civil servants that take the main decisions within the state, and their decision process in a given period of time.

The good political society for Aristotle was not the ideal state. He may also refer to an ideal state, but what interested him was the possible state, the mixed political government, the polity (*politeia*).<sup>5</sup> He asks himself: “What is the best constitution and is the best life for the majority of states and the majority of men?” Before responding the question, however, he makes clear the realistic and historical form of his reasoning. “We have in mind men whose virtues do not rise above that of ordinary people, and whose education do not depend on the luck either of their natural ability or of their resources; and who do not have an ideally perfect constitution, but, first, a way of living in which as many as possible can join, and, second, a constitution within the compass of the greatest number of states”. Made this caveat, he responds: the best constitution is the mixed constitution; it is the polity, it is the mixed political regime, which borrows institutions from democracy and oligarchy. But the polity is more democratic than oligarchic, and being oligarchic, has substantial aristocratic aspects. “It is those mixtures which lean more towards democracy which are generally called polities”.<sup>6</sup>

Thus, to Aristotle, democracy was not the good political regime. We may say that this is true because he was a realist. Yet, if we take Plato, whose idealism was radical, the same is true. Or, more precisely, because Plato was more idealistic than Aristotle, he rejected democracy with stronger vehemence. Aristotle knew that

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<sup>5</sup> Aristotle used *politeia* in several senses. Miller Jr. (1995: 252-253), for instance, says that it may be translated as “constitution or political regime”, or as “polity or republic”, but adds: “polity is used commonly for certain constitutions which resemble or tend towards democracy”. I understand “polity” or *politeia* in the Aristotelian times as the mixed political regime that tends to democracy, and in our times, “polity” as the good state.

<sup>6</sup> See Aristotle (323BC: 259-266). The concept of polity was used by Aristotle in several ways.

politics involved compromise, acknowledge that the regime that the Greeks decide to call democracy had broad support in his time in Athens, and saw some qualities in democracy provided that democratic institutions were moderate, while Plato saw only evils in democracy, opting for the government of the king-philosophers.

Today, Greek democracy would not be viewed as true democracy, given the exclusion of women, foreigners, and the existence of slaves. Yet, it was an extraordinary political event – as the whole Greek civilization was an exceptional historical phenomenon. For some time, in the Roman republic, we had a repetition of the Greek democracy. Dahl explains the emergence of the Greek democracy in the seventh century band with an argument related to war technology. In the seventh century before Christ the infantry, with its hoplites, proved to be superior to the horse and the chariot. While only the rich or the aristocracy could afford such weapons, the authoritarian character of the regime was assured. In the moment that the technology changed, the people or the commoners, armed with inexpensive weapons – helmet, shield, corselet, greaves, and spear –, became strategic in war. Time was open to democracy. In the Roman legions, although the military organization had already changed, a light and fast infantry continued to be the superior war alternative, and the republic prevailed. It was only when the citizens' militia were replaced by professional and mercenary soldiers, that this peculiar social-military basis for the republic or the democracy got disrupted. The times for the aristocratic and military rules were back. In the Middle Age, changes in military technology once again vested superiority to the mounted knight.<sup>7</sup> Only many centuries later, with the great liberal revolution, we would again hear of democracy.

After the Greek democracy and the Roman republic, which offered opportunity for creative political thought, the concern with the good state reappears in Augustine, but in a theological way. The good political society is the city of God – a fully hierarchical and theocratic political regime. Not surprisingly, in the Middle Age, the explicit concern about the good state faded away. With Thomas of Aquinas and the rediscovery of Aristotle, Plato and Augustine authoritarian perspective lose ground,

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<sup>7</sup> Dahl (1989: 245-247).

but we are still far from democracy or even from a secular conception of the good political society.

It is only with the beginning of the Capitalist Revolution – with rise of the bourgeoisie and of the modern state – that the idea of the good state reappears. The modern state emerges between the thirteenth and the fifteenth century, first, in the Northern Italian city-republics, and, second, in France, England, Spain and Portugal, with the absolute monarchies which would give rise to what would be called the nation-state. Politics, the art of governing through argument and compromise, and not just through the use of force, begins little by little, gradually, slowly, to resurface. The great utopians, like Thomas Moore and Tommaso Campanella, write their visions, but actually politics reappears with the Italian humanists and particularly with its major representative, Machiavelli. Again, with the Italian merchant city-states, the times were suitable for doing and thinking politics. For a moment, in Italy, we are again speaking not quite of democracy, but of republic. On the other hand, in the absolute monarchies, the opportunity for political thought seemed to be none. Yet, the nation-states that were rising were the outcome of a major political alliance of the part of the aristocracy headed by the monarch with the emerging bourgeoisie. Thus, if not the poor, for sure the new bourgeois or capitalist middle class, had to have room in the new political society. It is not by accident that after Machiavelli, which was an outgrowth of the city-state, Hobbes, whose thought was a consequence of the rise of nation-state, will be the major voice to be heard in political theory. He affirms the absolute power of the monarch, but when he assigns his power not to God, but to a social contract, he contradictorily opens room for politics and for liberal and democratic thought. The central knowledge criterion ceased to be revelation or religion, to be reason. Society and its political organization ceased to be given to men, to be thought and built by them.

## **2.Liberalism before Democracy**

Yet, political philosophers are still far from democracy. Now they live in absolute monarchies, and they see no other alternative but an aristocratic and monarchic regime. But, since the reason that the Greek and the Romans have used to explain and justify politics was reestablished, the idea of a fully authoritarian and theocratic state was out. Or, more precisely, it was restricted to religious thought and to conservatives who continued to base their legitimation system on tradition, while a new breed of political philosophers emerged: the enlightened or the liberal philosophers. The two social classes that now shared power and wealth in Europe, the aristocracy and the bourgeoisie, were now politically represented by conservatism and liberalism.

Liberalism is originally the ideology of the bourgeoisie. Thus, we could be tempted to make a Marxist simplification unfaithful to Marx and say that the new liberal philosophers were representatives of the bourgeoisie and against the monarchy. Liberal thinkers, since the first great liberal, Locke, were constitutional monarchists. Liberalism was not an alternative to monarchy, but a form of constitutionally limiting the absolute powers of the monarch, conserving the monarchic and aristocratic regime. Liberals are, for excellence, the champions of the rule of law and the civil rights. The republicanism that emerges from Machiavelli's and the humanists' thought, and takes as example the Roman republic, is till a certain extent a political alternative to liberalism, as long as it stresses civic duties rather than civil rights, but it was not in favor of the republic per se: being 'republicans' they remained in England monarchists. They became fully republicans in the United States, where they had no other alternative since they had to fight the English monarchy to gain political independence. And in France, with the French Revolution. But these are essentially liberal revolutions, not democratic ones, although the word democracy is again listened. As observes Touraine, "the American and the French revolutions proclaim the popular sovereignty principle and reject a monarchy that represents an obstacle to them. These founding acts were the outcome of the liberal political thought which, from Hobbes to Rousseau and also in Locke, had claimed the founding character of the voluntary creation of a voluntary

social bond, which Hobbes calls *covenant*, Locke *trust*, and Rousseau, *social contract*".<sup>8</sup>

In the French Revolution, particularly, there was a radical democratic project, inspired in ideas originally developed by Rousseau and Kant, but such project proved at that time self-defeating, particularly in the hands of the Jacobins. Habermas, writing on the French Revolution, and on the dialectics between liberalism and democracy, emphasizes that "democracy and human rights form the universalist core of the constitutional state that emerged from the American and French Revolutions in different variants".<sup>9</sup> Such universalist core, however, such "unrenounceable project", in Habermas' normative words, would take a century to begin to become reality. After the liberal revolutions some liberals turned republicans, others remained monarchists –constitutional monarchists –but they had something in common: they did not support democracy. On the contrary, democracy often was identified by them with the worst excesses of the French Revolution. Parting from the historical experience, liberal political philosophers – take for instance Benjamin Constant – remained hostile to democracy, with the instability and the disorder that popular regimes would entailed, given – they believed – the inherent incapacity of the people to govern. Even Rousseau, who is usually identified with the modern interest in democracy, was not really in favor of what I am calling here modern democracy or representative democracy. Being a citizen of the republican city-state of Geneva, he only believed in direct democracy. In large empires, or nation-states in the modern terminology, he had the same view of Montesquieu: government was much more complex and difficult, and there would be no alternative to some kind of despotism. The basic threshold that divides a liberal state from a liberal-democratic state – the universal inclusion of women and all subjects to the normative power of the state, except the children and the fool, as citizens – would not be accepted by Rousseau, as Dahl remarks: "There (in the *Social Contract*) Rousseau occasionally appears to be asserting an unqualified right to membership in the demos. Rousseau makes it clear that he means no such thing.

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<sup>8</sup> Touraine (1994: 115).

<sup>9</sup> Habermas (1988: 465).

Though, he lauds Geneva, even though its demos consisted of only a small minority of the population. Children were, of course, excluded. But so were women. What is more, a majority of adult males were also excluded from the Genevan demos”.<sup>10</sup>

The liberals, that are the dominant political philosophers since the eighteenth century, are liberals but not democratic till the twentieth century. They fear democracy. They fear the people. They accept the liberal politicians’ policy of conceding voting rights to the people gradually, slowly. The reason for this, according to Bobbio, is in the conflict between reason and democracy. “In the great tradition of the Western political thought, which began in Greece, the assessment of democracy, viewed as one of the three ideal forms of government, has been preponderantly negative. Assessment that is based on the verification that the democratic government, more than the others, is dominated passions. As can be seen, exactly the opposite to reason.”<sup>11</sup>

In the second part of the nineteenth century, however, things began to change. Democracy, that used to be a pejorative word, gradually changed of nature. Writing in the mid 1960s, Macpherson emphasized such change with a grain of irony:

Democracy used to be a bad word. Everybody who was anybody knew that democracy, in its original sense of the rule by the people, would be a bad thing – fatal to individual freedom and to all graces of civilized living. That was the position taken by pretty nearly all men of intelligence from the earliest historical times down to about a hundred years ago. Then, within fifty years, democracy became a good thing. Its full acceptance into the ranks of respectability was apparent by the time of the First World War.<sup>12</sup>

Yet, even in the first part of the twentieth century, the assessment of political philosophers of democracy remained relatively negative. The classical texts of Weber on parliamentarism, and of Schumpeter on democracy, which are often used

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<sup>10</sup> Dahl (1989: 123).

<sup>11</sup> Bobbio (1991: 26).

<sup>12</sup> Macpherson (1966: 1-2).

to introduce modern thought on democracy, are not texts of who believes in democracy.<sup>13</sup> Both were liberal rather than democrats. One developed his thinking on the matter in a moment in which his country, Germany, was making its difficult and protracted transition to a liberal regime, not a democratic one. The other could already see the working of liberal democracy in the United States, but he was too much impressed by the Nazism, Stalinism, and the World War II in Europe to believe in democracy. Schumpeter is usually identified with a minimalist and procedural concept of democracy, but he is less than that: his ‘democracy’ is rather formal, the people will vote but since it is unable to rule, political power will be exerted between elections by the political, entrepreneurial, and military elites independently of the people’s wishes or demands.

It is only in the twentieth century that major political philosophers like Raymond Aron, Hannah Arendt, Norberto Bobbio, Jürgen Habermas, and John Rawls start to see democracy, or liberal democracy, as the best political regime.

### **3. Democracy – A Twentieth Century Phenomenon**

It was not by accident. Only throughout the nineteenth century democracy became, gradually, equivalent to good state, as it indicated to be the more stable political regime – the political regime that were more on the interest of the poor as well as of the rich. Since the liberal revolutions the capitalist class feared that democracy would allow workers opt for socialism. But, as I will discuss ahead, this fear gradually diminished as workers or more broadly the poor did not demonstrate so aggressive. Thus, in the beginning of the twentieth century we have the first democracies. As Dahl asserts, “although some of the institutions of poliarchy appeared in a number of English-speaking and European countries in the nineteenth

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<sup>13</sup> See Weber (1918) and Schumpeter (1942).



century, in no country did the demos become inclusive until the twentieth century”.<sup>14</sup>

In that century, democracy or poliarchy, with the four minimum characteristics referred above, became finally dominant in the more economically advanced countries. Table 1 present the first countries to adopt the universal suffrage up to the 1940s. The first country that did that was New Zealand, in 1893. The adoption of the universal right to vote does not mean that a country completed its transition to democracy, but in most advanced countries this was clearly the case. Such countries were constitutional regimes under the rule of law for long. Freedom of thought and association and regular elections existed also for some time. When the propertyless and the women finally were entitled to vote, the minimum conditions for democracy materialized. As Santos observes, the number of voters doubles or more than doubles in most countries in the year that universal electoral suffrage is adopted.<sup>15</sup>

It is interesting to observe in this table that developing countries that certainly had not finished their capitalist revolution, and whose political regimes were probably not democracies, assured, nevertheless, universal right to vote. This is the case particularly of some Latin American countries. Indeed, the capitalist revolution is not a condition for democracy; it is just a condition for a consolidated democracy. Given international pressure from developed countries, or the natural tendency of local elites in developing countries to import institutions from abroad, certain or all characteristics of a poliarchy may appear in countries in which economic surplus continues to be appropriate mainly through the state, and so do not present the economic and social conditions to have a stable democracy. Several Latin American countries fall in this case. On the other hand, there are cases in which a country which had already completed its capitalist revolution, took more time than the usual to change to democracy. This is the case of some successful Asian countries. And there is the case of countries, like Germany, that made its transition to democracy

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<sup>14</sup> Dahl (1989: 234).

<sup>15</sup> Santos (1998: Table II).

after completing its capitalist revolution, but given some particular historical circumstances later fell back to authoritarian rule.

Dahl speaks of three periods of poliarchy growth: 1776-1930, 1950-59, and the 1880s. Huntington, probably inspired in this phraseology, propose his three waves of democratization.<sup>16</sup> In each wave, some countries made dully their transition to democracy, after having completed their Capitalist Revolution, while other which just following the wave. After these three periods of democratization, besides the English speaking countries, and the European countries, we had all Latin American, and many other countries in the other continents under democratic rule. Democracy had become the dominant political regime.

Why took so long the transition from authoritarian rule to democratic one, and the correlated change from an authoritarian to a democratic view of how to organize and direct the political society? If the seed of democracy was in liberalism, why liberal ideas became dominant in the nineteenth century, but only a century later the democratic perspective acquired the same status?

**Table 1: The First Countries Assure Universal Suffrage (up to the 1940s)**

<b>Year</b>	<b>Countries</b>
1893	New Zealand
1902	Australia
1906	Finland
1913	Norway
1915	Denmark and Island
1918	Austria and Luxembourg
1919	Germany, Netherlands
1920	United States
1921	Canada, Sweden
1923	Ireland and Uruguay
1928	United Kingdom
1929	Ecuador

<sup>16</sup> See Huntington

1931	Sri Lanka
1932	Brazil
1934	Cuba
1937	Philippines
1942	Dominican Republic
1944	Jamaica
1945	Italy, Bulgaria, Hungary
1946	France, Japan, Turkey, Poland, Albany, Romany, Panama, Malta
1947	Argentina, Venezuela, Pakistan,
1948	Belgium, Israel, South Korea, Suriname
1949	Chile, Costa Rica

Source: Santos (1998).<sup>17</sup>

Our question was, why political philosophers only in the twentieth century preferred democracy? Now, as it is clear that this preference is related to the transition from liberal to liberal democratic regimes, the question is, why democracy was only adopted by the more advanced capitalist economies only in the twentieth century?

#### 4. Good State

A response to these questions, ignoring history, would be that democracy eventually became the dominant political regime because the democratic state is intrinsically the good state. Because democracy is the political system that better meets the criteria defining the good state. Yet, such abstract response would make little sense, unless we assumed that all thinkers before the twentieth century were wrong. Another response would be that the concept of good state has changed. Indeed, this

<sup>17</sup> Santos (1998) and the Laboratório de Estudos Experimentais which compiled the data used as sources Dieter Nohlen, org. *Encyclopedia Electoral Latinoamericana y del Caribe* (San José da Costa Rica: Instituto Interamericano de Derechos Humanos, 1993), Ian Gorvin, *Elections since 1945: A World-Wide Reference Compendium* (London: Longman Group, 1989), and Erik-Jan Lane, David McKay and Kenneth Newton, *Political Data Handbook – OECD Countries*, second edition (Oxford: Oxford University Press, 1997).

happened. Finer (1997: 79-87), in his monumental study of the history of governments, adopted five criteria to evaluate the good polity: defense ability, internal law and order, taxation, not extortion, provision of public works and welfare, rights and citizenship. Some of these criteria remain important, other not. Defense, for instance, remains crucial to major countries, not to small ones. One cannot anymore say that “the ability of the polity to defend its population against invasions, plunder, or enslavement by outside enemies is primordial and a polity that cannot do this has, *pro tanto*, failed”, unless this ability presupposes military support coming from strong neighbors or from a solidary international community. On the other hand, it is significant that Finer, evaluating ancient governments, did not include social justice among his criteria. Maybe he did that because philosophers could write on justice, could ask for social justice, but real social justice was something that they could not realistic aspire given the well-established institutions like slavery and servitude. The same is true of democracy. Commenting the ‘rights and citizenship’ criterion, “Athens’s democratic concept of such citizenship and participation was rejected in Europe till 200 years ago and never ever surfaced everywhere”.<sup>18</sup>

Thus, it would not be reasonable to appraise a government and a state in the Antiquity, or in the Middle Age, or in the times of the Absolute State, using as gauge the fact that it was democratic or not. None was. Some states could more than others respect the rule of law. Some monarchs or princes could be more or less benevolent, but all people behind him were subjects, not citizens. Democracy was out of question. Since the twentieth century, however, when the democracy became a real possibility, the democratic criterion turned central to define the good state. The general explanation for this is in Marx’s proposition that men only pose collectively problems to themselves when they have some possibility of solving them. In other words, men are sufficiently realistic not to define tasks to themselves that are unattainable.

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<sup>18</sup> Finer (1997: 79, 87). Although this phrase is in the “Conceptual Prologue”, this is the prologue of his first volume: “From Ancient Monarchies to the Han and Roman Empires”.

Before discussing which historical new fact made democracy within reach, realistically, we must know why the democratic state is the good state. The answer to this question depends on what we expect of the state. Do we expect much or little? If we expect too much, we will most likely be utopians, or even revolutionaries, to whom the key to individual happiness and the common good is in the realm of politics. As Michael Ignatieff (1984: 19) says, “utopians thought is a dream of the redemption of human tragedy through politics”. If we expect very little, we will be either conservative, or ultraliberal. If we are satisfied with the present institutions, or believe that we should return to a time were institutions were simpler and more tied to tradition, we will be conservative. If we believe that the state should limit itself to the objective of maintaining order, or of guaranteeing property rights and contracts, we will be ultra-liberal (or just liberal, in the European sense).

I do not believe that one can say, *a priori*, what is the good state. Besides reasoning about it in abstract terms, we have to look for history. What is a good state today is not what was a good state in the past, unless we don't believe that mankind was able to show through the times some effective political progress. The state has a permanent goal, justice, but the concept of justice varies historically, and even today there is not an agreement on what means a just state and a just society. So, I cannot limit myself to say that the good state is the just state. The Greek thought that the good state should lead people to happiness. This was too much. They were not differentiating the political from the more general goals that men and women have. Happiness is a major goal, but today is viewed as a private goal, not a political one. In practical terms, however, the classical philosophers were more realistic. If we read them carefully we will see that in their time the good political regime was the one that assured social order or political stability. Certainly the other political goals – the goals which can be achieved through politics – were taken into account. Besides political stability, the other political goals that the state or the political institutions are supposed to provide are four: peace or defense, freedom, justice or equality, and prosperity or economic growth. Order had priority over the other objectives for the simple and good reason that without order one would not have a state – and the pressing problem they faced was how to build and preserve a city-

state or the empire, continuously being threatened by war and domestic discord. The Greeks privileged order because the political regime was intrinsically unstable. The polity was under permanent threat of being destroyed by a foreign enemy, which could be a nearby city, or a distant empire, and by the internal disputes among political groups or factions.

That is why they preferred monarchy to aristocracy, and aristocracy to democracy, although they had clear to themselves that the corruption of monarchy is the worse of all regimes – tyranny, and of aristocracy, the second worse – oligarchy. Still they accepted such risks and favored monarchy or aristocracy, because at their time democracy was the more unstable from the three regimes.

Today the good state is, first of all, the democratic state. Even for the developing countries, democracy became the more desirable regime. Not far from now, elites in advanced and developing countries had their doubts about that. In Latin America, for instance, the advanced democracies supported authoritarian regimes and even authoritarian coups for fear of communism. Not anymore. Developed countries may still support authoritarian regimes in Asia or in Africa, but only for lack of a real democratic alternative.

Today's basic classification of political regimes is not anymore the Greek one. Now the essential distinction is between democratic and authoritarian regimes. The Greeks did not use this expression, but it is obvious that monarchic and aristocratic regimes were authoritarian regimes. Thus, they preferred authoritarian regimes, provide that the ruler or the rulers were benevolent and high-spirited. They would rather count with this, than risk democracy, whose stability prospects were meager. Today this is out of question. We may discuss the advantages of a republic or a monarchy, but the assumption is that we are referring to parliamentary monarchy. What changed? Why democracy became the regime that better assures order? Which was the new historical fact that made modern democracies much more stable than before, and more stable than authoritarian regimes?

## **5.The New Historical Fact**

The Capitalist Revolution was the historical new fact that made democracy viable, and, eventually, desirable. After it, or due to it, the nation-states were able to develop three basic institutions – the constitutional system, the modern state apparatus, and the market. The market economy for the first time became dominant, and, so, the economic surplus ceased to be mainly appropriated by dominant groups through the use of violence, or the control of the state, and started to take the form of profits and interests. Mankind, for the first time, had the possibility of creating and consolidating democratic institutions.

History may be seen as a cyclical process, or as a process of rise and fall of civilizations. Or as a process that has some direction, that proceeds by stages or phases reasonably detectable, that may show advances and setbacks, but heads toward progress. I will not discuss this question here. I just say that I opt for the third alternative. With this, I am not opting for a naïve view of progress. I know that economic growth and political development are not linear processes. I know that even in the more advanced societies, that experienced more progress, injustice and privilege is everywhere. I know that the risks that modern democracies face are enormous. But it is impossible to me not to recognize that mankind advances. And in this advance, the basic mark is the Capitalist Revolution.

The Capitalist Revolution is the historical process that changes the economic system from a non-market to a market economy, that turns profit into the economic motive, capital accumulation and technical progress the means to that end, and waged labor the form of transforming the labor force into a merchandize. It begins with the Commercial Revolution and mercantilism, and culminates in the Industrial Revolution, that England is the first country to carry out. I will not repeat here what Marx, better than any other else, described and analyzed. Nor will analyze how, after the Capitalist Revolution, besides the working class and the bourgeoisie, a new middle class emerged.

What I want to emphasize here are two things. First, after it economic development becomes self-sustained, as Furtado demonstrated. While in pre-capitalist times the ruling class would invest the economic surplus in weapons and armies that assured its dominance through war and violence, and in temples and monuments that legitimated its political power, the new capitalist class will invest in merchandize, machines and equipment, and will be permanently and necessarily involved in technical progress. In a first moment, in the phase of merchant capitalism, capital accumulation is the motive that introduces rationality in production. In a second time, however, in industrial capitalism, technical progress becomes a survival condition for business enterprises in competitive markets. Economic growth since then, although experiencing cyclical crises, will turn self-sustained.<sup>19</sup>

Second, and more decisive, the form of appropriation of the economic surplus changes radically. In pre-capitalist times, the appropriation of the economic surplus depended on the control of political power, because such appropriation depended on the high degree of the use or the threat of violence. In pre-capitalist societies distribution of income is essentially a political question. Thus, the control of the 'state' (I put in quotes the word because we are far from the modern state), or political power becomes crucial. To obtain wealth and prestige one had first to be politically powerful. The economic surplus was originally appropriate through war. Through it the dominant groups were able to collect the war booty, to enslave the defeated, or to impose heavy taxes on the acquired colonies. As society changes from tribal form to more complex organizations, like the city-state and the empire, taxation becomes increasingly important. Through it the military aristocracy, with the support of a patrimonial bureaucracy and a religious hierarchy, appropriates the economic surplus from peasants and merchants. Religious legitimacy was always an essential part of the process, but the very existence of empires and dominant oligarchies depended on their capacity to hold political power and wage war.

In such a system, political power is so crucial that elites cannot indulge in democracy. To be economically rich means to be politically dominant. There is no

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<sup>19</sup> See Furtado (1961).



separation between the public and the private, as long as the control of the public patrimony is the privileged means to achieve property and wealth. The poor, that Aristotle identified as the sponsors of democracy, will often press for freedom, for civic and political rights, but elites will resist ferociously. They will recur to all forms of violence, because violence is the form of securing the economic surplus. Since markets exist only marginally, there is no other condition to portion wealth and income but the control of the state. Occasionally the people, or the merchants may gain some power, and establish some form of democracy, or of republic, but the new regime will soon be wiped out given the enormous interests involved in political power.

After the Capitalist Revolution, this situation changed dramatically. Now we have a market system, where exchange value is dominant. Now economic theory is able to define the economic criteria that rule income distribution between rents, profits, and wages. Between rents and profits, we have the Ricardian theory of diminishing returns; between profits and wages, the Marx's surplus value theory; between wages and profits, we have at least three competing theories: the classical theory, assuming subsistence wages as given and making profits the residuum, the inverted classical theory assuming the long run rate of profit given and making wages the residuum, and the marginal utility theory.<sup>20</sup> I am not returning to this debate. The crucial is that the market, a blind and relatively self-controlled mechanism, does the main job in distributing surplus. Or, as Marx signaled, profits are the result of an exchange of equivalent values in the market. Thus, its realization does not require the direct use of violence. Capitalists just require the guarantee of property rights and contracts, or, more generally, the rule of law.

When the Capitalist Revolution is completed and profits started to be regularly achieved in the market, it became the form per excellence of appropriating the economic surplus. Since then, the state ceases to be crucial to the dominant economic groups. It remains relevant, but not anymore a sine-qua-non condition for the elite's existence. Thus, the new capitalist class can indulge in democracy, or,

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<sup>20</sup> For the inverted classical theory see Bresser-Pereira (1986).

what is probably more correct, it lacks the necessary strength and or motivation to keep the authoritarian rule. And philosophers may view democracy as possible. As Dunn observes, the “dismal of the viability of democracy was a fair summary of a European intellectual consensus which reached back at least to the Principate of Augustus, it was a consensus which disappeared with surprising speed between 1776 and 1850 in Europe itself.”<sup>21</sup>

Thus, the Capitalist Revolution was the new historical fact that made possible modern democracy. I probably first understood this when I read, in a 1976 Furtado’s book, that:

“Two forms of appropriating surplus seem to have existed since the beginning of the historical times. On one side is what we call the *authoritarian* form, which consists in the extracting surplus through coercion. On the other side we have the *mercantile* form, that is, the appropriation of surplus through exchange... The surplus utilized to appropriate another surplus is a *capital*, what entitles us to say that all socioeconomic formations in which surplus is predominantly captured through exchange belongs to the *genus* capitalism.”<sup>22</sup>

Furtado was not discussing the rise of democracy, but in this contrast between the authoritarian and the mercantile forms of appropriating surplus was the seed of the theory I am presenting here. Such inspiration had a clear origin in Marx, as most basic ideas about capitalism have, although he was never a Marxist. As Hobbes could not predict that, from his social contract theory, the liberal state would rise as a non-predicted outcome, nor could Marx predict that from his theory of capitalism and surplus value as an exchange of equivalents would emerge the democratic state.

Be clear that the Capitalist Revolution opened room for the liberal and later the democratic state but did not led to this final outcome directly. The transition of the bourgeoisie from an authoritarian to a liberal, and later to a democratic ideology took long. The control of the state remained naturally a central political objective

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<sup>21</sup> Dunn (1979: 8).

<sup>22</sup> Furtado (1976: 33).

for the bourgeoisie for two reasons: because it continues to play an important role in income distribution; and because its role in assuring public order remains central. Markets do not allocate resources in a fully efficient way, and are blind or unjust in distributing income. During and immediately after the Capitalist Revolution the role of the state is to deepen the income concentration already existing, as the state continues to be controlled by the aristocracy now associated with the bourgeoisie. That probably explains why Marx was so severe in relation to the state, viewed by him just as a tool serving the bourgeoisie. At the same time, a liberal order is established, which guarantees free markets and accentuates the income concentration.

## **6.From the Liberal to the Liberal-Democratic State**

In this moment, with the Capitalist Revolution, the absolutist state is giving place to the liberal state, not yet to the democratic state. In the countries that first completed the Capitalist Revolution it will take near 100 years for the liberal state to change into the liberal-democratic state. The new dominant bourgeoisie is not intrinsically democratic. It is intrinsically liberal. Although in the liberal ideas are the seed of democracy, liberals, in name of freedom, fought intensely democracy. The argument was that freedom and equality would be contradictory. That equality of rights – which is a condition for democracy – would be intrinsically inconsistent with civic liberties. From the equality of rights democracy would go directly to the majority's dictatorship and the refusal of freedom.

As Lindblom underlines, the first modern political philosophers “are all liberals first and democrats, second, if at all... The Constitutional Founders were fervent liberals but no more than time democrats, some not democrats at all”. Lindblom also sees a close relation between poliarchy or democracy and capitalism, that he calls ‘the private enterprise market system’. Both would be “methods for popular control over ‘public’ decisions”, the former through the vote, the later through consumers’ individual preferences. And notes that capitalism and democracy have a common

origin, what is again correct. Yet, it is impossible to agree with him when explaining what means the ‘common origin’: “The two are historically tied together because in the forms in which they have arisen, we shall see that both are manifestations of constitutional liberalism”.<sup>23</sup> Constitutional liberalism is not the cause but the consequence of capitalism. The new capitalist class required, more than anything else, the rule of law, institutions that guarantee property rights and contracts. When capitalists and entrepreneurs were demanding free trade and assigned the state two basic roles – to maintain public order and to defend the country against the foreign enemy – they were saying how important for them was constitutional liberalism. This realization, that is clear already in Marx, gained a modern currency in the works of North.<sup>24</sup>

The transition from a non-market to a market economy and a liberal polity took centuries and culminated with the Capitalist Revolution. This one normally occurred under the absolute state – the classical exception being the United States – and was the direct factor leading to the political transition from such state to the liberal state. As the first transition involved conflicts, compromises, and alliances, which eventually led aristocratic elites to share power with the bourgeoisie, the second one brought necessarily the gradual inclusion of workers in the political process. As Furtado observes, “the civic liberties which protect the citizen against all forms of arbitrary power, and the representative government with a popular basis, which assures that liberties and opens room to social conquests, involve a historical process that transcends capitalism”.<sup>25</sup>

The great eighteenth century revolutions, although often presented as democratic revolutions, were actually liberal revolutions. Their major intellectual figures had as model the Roman republic rather than the Greek democracy. When they were not just against democracy, in name of liberalism, they had a practical problem: how to establish a democratic system in large countries in which Greek direct democracy was impossible. In other words, they had to think in representative democracy.

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<sup>23</sup> Lindblom (1977: 162-163).

<sup>24</sup> See North (1985, 1986, 1990).

<sup>25</sup> Furtado (1964: 7).

Madison, for instance, that was hotly against direct democracy, was for the republic, by which he meant representative democracy. For him the representative government was not a practical imposition derived from the large number of citizens, but a superior form of government, the ideal way to avoid the turbulence and instability caused by factions in direct democracies. The effect of the representative government, according to Madison, is “to refine and enlarge the public views by passing them through the medium of a chosen body of citizens, whose wisdom may best discern the true interest of their country”.<sup>26</sup>

While claiming the superiority of representative over direct democracy, Madison was not suggesting that through it would be possible to limit the right to suffrage, and, in such way, to control the people. But it was exactly that all the liberal regimes did in the nineteenth century. Some began with quasi-universal right to vote, but by mid nineteenth century all imposed severe limits to full citizenship. Not only to women, but also to the poor was denied the right to vote. This, more than any other factor, distinguished the liberal state from the liberal-democratic state that finally comes into being in most advanced countries in early twentieth century. This was the main control mechanism that permitted the new dominant class to keep under control the popular demands. Modernly, Bobbio remarks that democracy is not contradictory to liberalism provided that we do not adopt an ethical but a procedural concept of democracy.<sup>27</sup> In other words, a procedural concept of democracy makes it realistic as the concept of liberalism is. Classical liberal demands freedom of thought and trade, not full freedom. An ethical or substantive concept of democracy would require immediately full economic equality or, at least, full equality of opportunity – what would be inconsistent with liberal ideas. What was not realistic in early twentieth century, when democracy or poliarchy finally begins to define the political regime in the more developed countries.

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<sup>26</sup> Madison (1787: 46-47).

<sup>27</sup> Bobbio (1980).

## 7. The Rational Motives

Gradually, however, we saw the transition from liberal to democratic polities. Why this happened? Although this subject is already beyond the objectives of the present paper, I just want to say that, on one hand democracy was the outcome of the workers' or the poor's demand for it. On this subject, Therborn essay remains the basic reference.<sup>28</sup> On the other hand, the rich began gradually to realize that the poor did not, really, present a threat to their rule as long as they did not have a real alternative to the capitalist system. For long this was not self-evident, as long as the Marxist critique made liberalism artificially inconsistent with socialism, or with social rights, and that the socialist challenge seemed real. In the twentieth century, however, the socialist ideals took the perverse form of a bureaucratic, statist system. When, in 1989, Soviet Union collapsed, the socialist ideal was dead for long, and the immense majority of the workers in the advanced democracies felt no attraction for it. The poor had understood that there is no real alternative to capitalism.

Przeworski wrote the classical analysis of the class compromise that characterizes modern capitalism. He starts from the assumption that if workers are given the right to vote, they should, in principle, vote rationally for a socialist government. Yet, they don't, because on one hand, as long as they have the control of investments, "capitalists are thus in a unique position in the capitalist system: they represent the future universal interests while interests of all other groups appear as particularistic and hence inimical to future developments". On the other hand, because workers do not have the assurance that "moving to socialism would immediately and continuously improve workers' material conditions. On the contrary, they are not certain that socialism is more efficient than capitalism, and, anyway, if it is, the transition to socialism may involve a deterioration of workers welfare. Since "workers have the option of improving their material condition by cooperating with capitalists, the socialist orientation cannot be deduced from the material interests of workers". The alternative of a class compromise was open to workers. Or, concludes Przeworski, "a class compromise is possible only on the condition that workers have

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<sup>28</sup> See Therborn (1977).

a reasonable certainty that future wages will increase as a function of current profits”.<sup>29</sup>

Note that when Przeworski speaks of socialism, he is really speaking of what I call statism, or technobureaucratic mode of production, since that was the only alternative then existing.<sup>30</sup> While he developed this extraordinary political analysis showing that it would not be necessarily rational on the part of workers to opt for statism, and that they could make a compromise with capitalists if their wages increased with profits, I was developing an economic analysis, a model of economic growth in which I inverted the classical distribution of income: profits were the determinant variable, constant in the long-run, exactly because there was no alternative to capitalism and the economic system and its institutions had no alternative but to adopt strategies, particularly technical progress, that avoid the long-term decline of the profit rate. In this historical and economic model, while the rate of profit was kept constant, the wage rate increases with productivity, if we assume technical progress as neutral. This was a historical model because, indeed, the advanced capitalist economies were able to increase wages proportionally to productivity increase since mid nineteenth century.<sup>31</sup>

The fact that workers, eventually, had no other better alternative than to make a compromise with capitalists, was perceived not only by workers, but also by capitalists. And, as long as they understood this, they saw less and less reason to fear democracy. On the contrary, they became increasingly confident on democracy. Democracy could mean to guarantee social rights, besides the civil and the political rights. It could require that wages increases, but this would not hurt as long as wage increases did not threat the long run profit rate. On the contrary, wage increases could sustain the profit rate to the extent that they uphold effective demand. And, on top of this, democracy made the rule of law much more secure – and nothing is more important for business activity than a stable constitutional and legal system.

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<sup>29</sup> Przeworski (1985: 139, 177, 180).

<sup>30</sup> See Bresser-Pereira (1977).

<sup>31</sup> See Bresser-Pereira (1986).

Thus, as it became rational to the workers or the poor to compromise with capitalism, and to fight for democracy and social rights, it became also rational to capitalists to go ahead of classical liberalism and ask also for democracy. Soon, as workers limit their demands, and capitalists understand the trade-offs they are involved, democracy, fully institutionalized, becomes the political regime that better assures political stability. Thus, the regime that is most favorable to business as well as to workers. The times in that democracy was salvaged by greedy factions, and showed rather turbulence and instability than freedom, were over. A new, and in this case, real social contract had been established, between workers, the professional middle classes that emerge in between to manage organizations, and the capitalists. The fight for justice, the condemnation of corruption and privilege, the possibility of drawing models of capitalism that may be more efficient and more just continue a major political task, but democracy became established as the universally preferred political regime.

Thus the transition to democracy requires a Capitalist Revolution that establishes a market economy, and creates the conditions for compromise or alliance between social classes and groups. In the advanced countries this transition was completed, in the developing countries not so. In the developed countries liberal-democracy began when the universal right to vote was assured to all, including women. It began as an 'elites' democracy', of the type that Schumpeter assumed the only possible in the 1940s: a democracy where all workers have the right to vote, but only the elites will govern. Democracy, however, was advancing fast at that time, so that, it was already being transformed in a civil society's or a public opinion democracy – a democracy where the public space and the public debate forming opinion are crucial. Intermediary developing countries, that completed their Capitalist Revolutions in mid twentieth century, and made their transition to democracy in the 1980s and the 1990s, are still elites' democracies. When, in 1977, I predict that Brazil would necessarily return to democracy (Brazil had had a short democratic experience between 1946 and 1964), most people took my assertion surprising, since the military regime seemed strong. Yet, the exceptional conditions that had permitted a modern military group to take over the power were over.



Sooner capitalists, professional middle class representatives, and workers would demand – as indeed they demanded and got – democracy.

The several transitions that lead a pre-capitalist society to a democracy are complex. There are no simple rules to guide the Capitalist Revolution, as there is not for the transition from the absolute to the liberal state, later, from the liberal state to the liberal-democratic state, and finally to the social-democratic or welfare state, today dominant particularly in Europe. The advanced countries count with the democratic institutions and with a strong and active civil society to limit policy mistakes and advance ahead. The intermediary countries have poorer democratic institutions, and not a such active civil society, but, anyway, they will have to manage the deepening of democracy. The more serious challenge is in the countries that did not complete – some did not even began – their Capitalist Revolution. They still are on the hand of corrupt and incompetent elites, and society has scarce means to control such elites. They will have to depend on foreign support and guidance, but we know how limited is international aid and cooperation.

Democracy is the preferential political regime because, first, after the Capitalist Revolution, democracy proved increasingly to be the regime that, in a market economy, better achieves and maintains political stability. Second, because, given the large numbers that characterize the capitalist class, democracy is an excellent form of resolving their internal conflicts. The aristocratic class was always very small, and, notwithstanding, plagued by internal and murderous struggles. The emerging capitalist class, being large, had in democracy a better and more secure form of resolving its internal conflicts. In modern democracy we can always divide political parties in left-wing and right-wing, but the ones that really dispute power are moderate, and have a sizable representation of the bourgeoisie and the professional middle class. Third, because democracy proved increasingly competent in distributing income through taxation and targeted expenditure, in such a way as to maintain the long-run profit rate in a level acceptable high enough to motivate capitalist to keep investing, while increasing wages with productivity. Fourth, because, once established, democracy proved to be the regime more able to correct and improved itself.

Democracy better assures social order, because it protects property rights and enforces contracts, two essential conditions for the market economies to work and grow. Second, because the emergence of social rights and of the welfare state reduce extreme inequalities, and limit exclusion, thus further contributing to order. Third, because the existence of political rights gives a reasonable opportunity to individuals and groups to have some voice and even to participate from government. In a first moment, elite groups alternate in power; later, power starts to be shared, bit by bit, with the workers and the professional middle classes, while public opinion becomes a political reality.

Instead of saying that democracy became possible after the Capitalist Revolution, one may examine the relations between economic development and democracy. The classical paper on the subject is by Lipset, where he clearly shows that the more advanced is an economy, the more democratic it will tend to be.<sup>32</sup> Yet, the explanations that he gives to the fact are unconvincing. He uses modernization theory, and speaks specially of the importance of education, which, indeed, is important, but not enough to explain the consolidation of democracy. Other educated people did not change their political regime into democracy. Many other studies were made in this area, but the most interesting is probably the one conducted by Przeworski et al for the period 1950-1990. In this book the authors demonstrate that, “if there is a threshold at which development is supposed to dig the grave for an authoritarian regime, it is clear that many dictatorships must have passed it in good health.” Yet, they continue, “where they are established, democracies are much more likely to endure in more highly developed countries”. In general, above a certain level, which would be around US\$ 6,000, the probability that a democratic country would fall into dictatorship is practically zero. Yet, the authors prefer not to conclude that economic development causes democracy. But their findings give a strong support to my position. A country that achieves more than US\$ 6,000 of income per capita almost certainly already completed its Capitalist Revolution. We may have exceptions, as the Middle-East oil countries, but such exception only confirms the hypothesis. Although having an income per

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<sup>32</sup> See Lipset (1958).

capita very high, such countries definitively did not complete their capitalist revolution, they do not count with a full market economy, they did not clearly separate the public from the private, they do not count with a large middle class, and an active civil society.

### **III. FROM BALANCE OF POWERS DIPLOMACY TO GLOBALIZATION POLITICS**

The events of September 11<sup>th</sup> did not just put an end to the Cold War, but to the old Balance of powers Diplomacy. Although the conflict between the United States and the Soviet Union ended in 1989 with the collapse of one of the contenders, analysts and international policy makers continued to behave as if the world was still torn between two conflicting superpowers. After the tragedy of September 11<sup>th</sup>, however, it became clear that the remaining superpower's foreign policies, as well as those of the other, intermediate, powers, had to be substantially revised; that there is a need to think and develop more seriously a new international order. The basic assumption on which the old order was based – that conflicts could be solved by war or the threat of war – no longer makes sense. Although military prowess remains a relevant factor in international relationships, it is clear that the history of international relationships can no longer be reduced to the chronicle of war or threatened war between empires or nation-states. Even if the fundamental role of diplomacy is still to prevent war.

September 11<sup>th</sup> showed that the source of the main threats faced by the USA and intermediate powers is no longer in other nation-states. These have become simple competitors in the globalized market. The real menace lies in terrorism, in several kinds of religious fundamentalism, in the drug trade, in climatic change, in financial turmoil due to international flows run amok, in circumstances of extreme poverty combined with stagnancy that still prevail in some areas of the world, particularly in Africa, and in the sense of continued economic decadence and exclusion that

persists in some regions and among certain ethnic groups, particularly in the Middle-East.

The new and obvious enemy that looms behind the September 11<sup>th</sup> events is international terrorism, although it is unlikely that any country will dare to foster and support it after the American attack on Afghanistan. Some countries may be sympathetic the United States' leadership, while others may resist indignantly, but no country can mount a real threat against the U.S. or other important democratic nations. The Balance of powers, or Great Conflicting Powers Diplomacy is over. The question now is what kind of international order will arise to replace it, having in mind the change in the threats that global powers face. I believe that globalization — so far an economic phenomenon with important consequences in the fields of development and distribution — will require more political guidance than ever before. I propose that, under the circumstances, the old notion of an international government, that always seemed utopic to realistic and political theorists, is now a real possibility. We will continue to witness resistance to it in the United States, but its unilateral policies and purely hegemonic behavior, as we have seen in the Bush administration, will pose an increasing conflict with its true national interests.<sup>33</sup>

The central problem faced by nation-states in regard to foreign matters in no longer war or the threat of war, but how to best take advantage of the opportunities international trade and finance have to offer. The question that political leaders must face is how to win and not to lose within an international context marked essentially by trade games of the win-win type, but where some tend to win more than others. Therefore, instead of diplomacy being defined by political and military conflict, we will increasingly see a globalized diplomacy in which the rules of foreign trade and finance, as well as immigration rules and the multicultural life within each nation-state, will be the core issues. In other words, a new international order that has been emerging since the end of the World War Two and the establishment of the United Nations, has come into evidence after the events of September 11<sup>th</sup>. The old world

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<sup>33</sup> This is the only reference I will make to the Bush administration here, as this paper has a long term perspective. This does not mean that I ignore the short-term disaster an administration that goes into conflict with our world's basic trends and needs can cause to the United States and the world.

order was the Diplomacy of Conflicting Powers; in this essay, I call the new emerging order Globalization Politics. The replacement of 'diplomacy' with 'politics' is no accident; it has a meaning I will explain ahead. The conflict between important nation-states demanded diplomatic activity; the globalized world will still require diplomacy but, more than this, it will demand political action. Diplomacy and politics have never been opposite activities, but they will become ever more similar, if not one single thing, in the new world order.

### **1.Nation-states have put enmities aside**

For centuries, international relationships were faced as real or virtual shocks between superpowers: France against England, Spain against France, Spain against England, Germany against France, England against the Ottoman Empire, the Austrian Hungarian Empire against Napoleon's France, the Ottoman Empire against the Austrian Hungarian Empire, and so forth. The Cold War was the last chapter of this Diplomacy of Conflicting Powers — a period during which the conflict remained “cold” and did not evolve into war, as long as we disregard the many regional wars of the second half of the twentieth Century, and which, at different degrees, reflected a shift of the conflict between the US and the USSR to the Third World context. When the Berlin Wall fell and the Soviet Union crumbled, analysts immediately realized that one single superpower was left, but this did not prevent them from looking for the new great power that would become the next adversary of the United States. China was the obvious candidate, due to its size and dynamic economy. Others were suggested as well. But given China's interest in peaceful trade and the violence implicit to Huntington's hypothesis of civilizations shock,<sup>34</sup> international relations analysts were forced to search for new threats. They introduced the class of rogue nations as the new enemy against which the US would

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<sup>34</sup> See Samuel Huntington, 1997.

have to protect themselves, and the national antimissile shield strategy was instituted to face the possibility of a strike by one such small country.<sup>35</sup>

These analyses made little sense, as they applied the logic of the Cold war to international situations that were very different. Scholars and policy makers were unable or unwilling to consider the new historic circumstances and insisted in applying traditional thought frameworks to understand changing realities. In this case, there was an incentive to acknowledge that current facts were connected to military interests. But although dramatic events such as those of September 11<sup>th</sup> cannot change dogmatic interests and visions, they can certainly make historic changes less ambiguous.

After September 11<sup>th</sup>, it became clear that the United States no longer have among nation-states enemies that threaten their hegemonic power. The Taliban administration's rush to detach itself from the attack on the very day it happened was very significant. Nowadays, no country in the world poses a real military, economic or ideological threat to the United States, not only because they lack the power to do so and know they can be leveled in hours in the event of an attack, but because the very logic of international relations prevents this. Some countries are better friends than others. Some smaller nations, like Iraq or North Korea, as well as Afghanistan prior to the Taliban's demise, can be considered unfriendly and although they may come under threat by American power, not one of them poses or has posed a real danger to the US. They know full well that, should an attack against the US be mounted, legitimate retaliation will be immediate and overwhelming. They already knew this before the Taliban regime tumbled. On the day of the terrorist attacks on the Twin Towers and the Pentagon, the Afghani government was the first to declare that it had nothing to do with the strike. Although the war may have come as an early response to terrorism, it will not be the main strategy to fight and defeat it.

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<sup>35</sup> The rogue nations, later defined by President Bush as members of the "axis of evil" are Iraq, Iran, North Korea, Cuba and Lybia.

It would be a mistake to conclude that the US no longer have enemies against nation-states as a result of its military prowess. I believe a more general and relevant reason exists to the end of the Conflicting Nations Politics, which also applies to other intermediate powers such as China and Russia, or France, Germany and England, or Italy and Spain, or Brazil and Mexico. Among intermediate powers, only India and Pakistan still see each other as enemies, which they are because of the Cashmere conflict. As soon as this conflict is overcome, the two countries will join the prevailing ranks of competing, rather than warmongering, countries. Among smaller nations, the conflict between Israelis and Palestinians still poses the greatest danger. There are other territorial conflicts between smaller nations, particularly in Africa, but the new and emerging international diplomacy will have to face them on reasonably impartial terms if they are to be solved.

Regional conflicts pose an unacceptable threat to economic security. In a globalized world, where respect for property rights is essential, there must be a solution to these conflicts – some sort of compromise, in most cases. International arbitration will, therefore, become ever more frequent. With the end of the balance of powers politics, this arbitration can and should be reasonably impartial. The parties will not accept decisions to be made based on different criteria, and will continue to challenge them. Biased interventions will sooner or later give rise to new conflicts. The fact that arbiters impose their decisions is not a problem – courts, which are unbiased in principle, impose their decisions, too – but the crux of the matter is that the decision they impose must have some legitimate relationship with the concept of justice. This is the kind of arbitration we witnessed when the great powers intervened in the Bosnia and Kosovo war.

## **2. War is no longer the way to resolve conflicts**

Nowadays, war cannot be considered as means to resolve conflicts among the world's leading nations. Not so much because of the fear of retaliation, but for other reasons. First, classic imperialism — the strategy of submitting other peoples by force, settling and taxing, them — has become implausible. There are more

sophisticated, less violent forms of exploitation that the great powers can exert over poor countries. Secondly, after a long and difficult process, territorial conflicts, which in the past could only be resolved by war, are now almost all solved. Finally, the common economic interest in being party to globalized markets far surpasses the conflicting interests that still exist.

War was the standard of 'international' behavior among pre-capitalistic tribes, state-cities and old empires. This was the means traditional dominant groups used to appropriate economic surplus. They did so by looting, enslaving the defeated or levying heavy taxes on colonies. At the internal level, the dominant classes always depended on controlling the State to appropriate the economic surplus of peasants and merchants. Religious legitimacy was always an essential part of the process, but the mere existence of empires and dominant oligarchies depended on their ability to maintain political power and wage war.

With the Capitalist Revolution, completed for the first time in England with the Industrial Revolution, a new and extremely significant factor arose. Appropriation of the domestic economic surplus no longer depended on controlling the State, as it now took place in the market, through profits realization. Markets, wage-earning labor, profits, accumulation of capital, technical advancement and innovation became the new key-elements from the economic perspective, elements that a new government system would have to ensure. The modern state began to emerge with Italian republics in the early 12th Century, with the purpose of organizing and guaranteeing long-distance trade. The first national states appeared three or four centuries later in France, in England, in Portugal and in Spain, as a result of the alliance of the king with the bourgeoisie to make markets free and secure within expansive territories previously divided among feudal lords. State institutions – particularly the legal system – that were already highly developed at the time of the Roman Empire gained importance by assuring property rights and merchants' agreements.

In this new historic context, however, military prowess continued to play an essential role, inasmuch as it was needed to consolidate national borders and defend



the country from foreign enemies and, later, inasmuch as it supported the young nation-states' strategy of opening up new markets and assuring access to strategic production factors. During the nineteenth Century and the early twentieth Century, history was essentially the record of how capitalist countries defined their national territories and developed modern empires to ensure market monopoly over large territories. In this period, the first nation-states were able to consolidate their capitalist revolutions, assuring the rule of the law, developing liberal institutions and, finally, turning their authoritarian regimes into modern democracies. They are now the developed countries. Some of the countries that were left behind, such as Brazil, Mexico, Argentina, India, China, the Asian Tigers and South Africa, underwent the Capitalist Revolution in twentieth Century, and are now intermediate-development countries. For these countries, globalization is both an opportunity and a risk. They will be successful or unsuccessful depending on their ability to think on their own, to exploit their competitive advantages, and to defend their interests in the international arena.<sup>36</sup> A third group of countries has not yet been able to complete the Capitalist Revolution and remains largely apart from global economic growth. They are also the main victims of globalization, since they do not enjoy the minimum requirements to compete in the international markets.

As countries became modern and powerful democracies, or intermediate development economies, their national territories became well-defined. At the same time, the former group's interest in retaining imperial powers decreased as new independent countries opened up their markets to foreign trade. The colonies' increasing resistance to foreign domination sped up this loss of interest. When a country's territory is well defined and continued imperial expansion no longer makes sense in terms of national strategy, war ceases to be an affirmative means to attain economic development. Not by chance did Japan and Germany, the two relevant countries defeated in World War Two, undergo extraordinary development

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<sup>36</sup> See Joseph Stiglitz (2002). In the 1990s, the intermediate countries that adopted Washington and New York's proposed policy of growth through the use of domestic savings – that is, with a current account deficit – were severely affected. The extreme case is Argentina's. See Bresser and Nakano (2002). In general, developing countries may be severely affected not so much by globalization, but by policies with a bias towards wealthy countries adopted by the international organizations in which the latter countries have a decisive influence as main stockholders, as is the case of the International Monetary Fund and the World Bank.

after the war without having felt the temptation of rebuilding their military prowess. One might argue that this was a condition imposed by the US after World War Two, but what we see today is the opposite. The US are pressing these two countries to rebuild their military capability so they can take a more active part in international security actions.

Therefore, in a world where economic surplus is achieved through profits in the markets, and where markets are open the world over, war or threatened war lost much of their classic appeal in the life of nations. The last ‘war’ – the Cold War – may be interpreted as a conflict between statism and capitalism, where the latter was the victor, or as an attempt by some lagging country to accelerate industrialization through bureaucratic control, or as the last chapter in the resistance of some major countries, particularly Russia and China, to open up their economies to global capitalism. It is likely that all three interpretations shed some light on certain aspects of the Cold War, but I would like to stress the last one. The Soviet Union and China’s reluctance to opening their economies is based not only on classic protectionist arguments. They also sought legitimacy in distorted socialist ideas. Soviet statism regarded itself as an economic and ideological alternative to capitalism and liberalism. In fact, it was no more than a protectionist and statist industrialization strategy that kept a large part of the world closed to international trade for decades. For as long as the Soviet Union remained, and while China was under the rule of Mao Tse Tung, their economies were left at the margin of global capitalism.

### **3. Globalization is the name of the new game**

It is not a coincidence that the term ‘globalization’ gained sway after the collapse of the Soviet Union and the opening of China to the world and to capitalism under Deng Xiaoping. These two were the main countries that remained closed to globalized markets. As soon as they opened up, globalization became a reality and the wars to open up new markets no longer made sense. On the other hand, the collapse of the Soviet Union finished up World War Two’s work as regards defining

the majority of national borders. For centuries, war was used to exhaustion as a national affirmation tool, but now we need to seek out new instruments and different behaviors if the new emerging international relations patterns among nation-states are to be understood. The age of Conflicting Powers Diplomacy is no more. True, the September 11<sup>th</sup> events were followed by a war against Afghanistan, but this was a completely different war, one that is more like and extreme form of international law-enforcement.

The configuration of global capitalism took centuries, and was marked not only by technological change and economic growth, but also by the affirmation of two basic and complementary institutions: the nation-state and the market. nation-states appeared in the sixteenth Century, in France, England, Portugal and Spain, at the time of mercantilism and absolute monarchies. The liberal revolution against the excessive control of the market by the state began with political revolutions, initially in England in the seventeenth Century and, in the next century, in the United States and in France. Its peak was in the late eighteenth Century, with the American and French Revolutions. The fact that political revolutions cleared the way for civil rights and free markets is a symptom of the complementarity of market and state. The nineteenth Century was the century of competitive capitalism and liberalism. Both ended in crisis, as did mercantilism before them. This time, however, the reason was markets run amok, rather than excessive control over the market. After the Great Depression of the 1930s, the new capitalist standard that arises is the welfare state, or the social democrat state. For some time, a controversy arises between economic planning and Keynesian economic policies, but the latter are more sensible and lasting.

As in the mercantilist and liberal phases, the social democrat phase was also marked by the continuous emergence of new nation-states and the affirmation of earlier ones. The economic development triggered by the Capitalist Revolution, took on historic significance in the liberal period, and gained momentum in the social democrat period. Cyclic crises continued to characterize capitalistic development, but no longer had devastating economic consequences. Notwithstanding, a longer cycle – cycles or waves of state intervention – arose in the mid-1970s. Given the

excessive, distorted growth of the state's organization in the previous period, a new state crisis took place – a fiscal crisis and a crisis in the bureaucratic means used to manage it – making room for liberal, market-oriented reforms. At the same time, the growth of world markets at a brisker pace than GDPs, the explosive ascent of globalized financial markets and, in a broader sense, the appearance of an ever stronger network of international relationships not only among nations, but also among individuals, firms, associations and NGOs, led to the current incarnation of capitalism – globalization.

We now see the effective prevalence of globalized markets. Trading goods, services, technology, money and credit and making direct foreign investments not only are the only choice, but what really matters. All kinds of international rules protect the markets, making them open and increasingly safe as regards property rights assurance. Only the labor markets are not yet globalized, although migration flows towards wealthy countries do point in that way. And only the financial markets remain fundamentally unsafe, not because property rights are not enforced, but because they are not yet sufficiently regulated.

Several new historic circumstances led to the advance of globalization. On the one hand, accelerated technical progress, the information technology revolution, and the reduced costs of transportation; on the other, the end of the Cold War, the increasing pressure to liberalize trade born out of US-exerted pressures, and the growing acknowledgement that international trade may be – although not necessarily – a win-win game. Together, these six factors changed the world in the last twenty-five years of the twentieth Century.

Globalization is a set of economic relationships, institutions and ideologies controlled mostly by wealthy countries. It is not the same as 'globalism'. Globalization is an economic and technological fact with political consequences, it is the name of the capitalism of our day and age, while 'globalism' is just one of these political consequences: an ideology that argues, firstly, that there now is an international community that is independent of nation-states, formed by internationalized firms and individuals, and, secondly, that nation-states have lost

the autonomy to define their domestic policies and have no choice other than following the rules and constraints imposed by the globalized market. Although there is some truth to the second statement, national states remain powerful and retain an important level of independence as regards their policies. Contrary to certain naive perspectives, developed democracies do not follow a single – American – economic model. There are at least three others: the Japanese model, the Rhenanian model (Germany and France's), and the Scandinavian model.

#### **4. But globalization demands strong states**

Both phenomena – the endogenous crisis of the state and globalization, which implied a relative reduction to the autonomy of nation-states as regards setting their policies – led ultraliberal analysts to forecast or preach the reduction of the state to a minimum. Foolishness. Strong markets demand a strong state. Globalization, to become complete, requires stronger nation-states, not weaker ones. The balance between the organization of the state and the coordination of the market may follow a cyclic pattern, as I suggested in an earlier article,<sup>37</sup> but it is not difficult to see that the countries whose markets are freer and more active are also those with more effective state organizations and institutions. Since the mid-1990s, when the ultraliberal wave lost momentum, this truth started to be self-evident. After September 11<sup>th</sup>, however, it became overwhelmingly important. The struggle for a minimal state was over: it was restricted to the outdated discourse of some ultraliberals.

In the United States, where the ultraliberal wave was strongest, but at which the terrorist attack was directly aimed, the change was clearer. Trust in the government, which had been decreasing since the 1960s returned with a vengeance. It is in times of crisis that people remember how important the government is. According to polls, in the 1960s the trust in the government (measured by questions like “Do you think

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<sup>37</sup> - See Bresser-Pereira, 1993.

the government will do the right thing?") was over 60%; it dropped to less than 20% in the 1990s; after September 11<sup>th</sup>, it returned to 1960s levels.<sup>38</sup>

But as a sad compensation, with the argument of fighting terrorism, some civil rights were summarily eliminated in the US. *The Economist*, reviewing Bush administration acts including the secret arrest of over 600 foreigners, the suspension of the attorney-client privilege, racial characterization, increased government surveillance powers, and judgment by special military courts, admitted that these were "disturbing" executive, "no, not quite a dictatorship".<sup>39</sup> In fact, it is really not a dictatorship, but these acts are doubtless threats to freedom. The fight for civil rights has a long story. Americans, with their Founding Fathers, have always played a leading role in the struggle, whose latest relevant episode was President Carter's fight for human rights. Much like there is a necessary, but shifting balance of state intervention and allocation of economic resources by the market, there also needs to be a balance between civil rights and national security. However, as we know full well in Latin American, where military regimes prospered from the mid-1960s to the mid-1980s, the first argument authoritarianism uses to justify restricting civil and political rights is precisely national security concerns. The events of September 11<sup>th</sup> had the positive effect of reminding us of how important the government and proper governance are, but were a dangerous step backwards in terms of civil rights affirmation. I believe this to be a temporary problem and that the tradition of protecting civil rights and democracy will prevail, but it is clear that as important as it is to fight international terrorism, there will always be a need to fight for civil rights.

If we take careful note of the sense of the market-oriented reforms implemented since the 1980s, the most successful ones not only liberalized markets but also enhanced government capabilities. This was the norm in developed countries. In England, for example, we may disagree with the Thatcher reforms, but one must admit that they did not weakened the state, but rather made it stronger. In

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<sup>38</sup> - See *The Economist*, January 8<sup>th</sup>, 2002, Based on data from the University of Michigan and Gallup.

<sup>39</sup> - *The Economist*, December 8<sup>th</sup>, 2001.

developing countries, that was not always the case. See Argentina, for example. The country followed, or tried to follow, all the directives given by Washington and New York, and still met with disaster. Privatizations were chaotic and ruinous, but one might say that this was an implementation problem, not a conceptual one. In the case of Argentina's macroeconomic policy, however, this excuse does not apply. With an obviously overappreciated currency, the fiscal adjustment that was in such dire need was not feasible, because expenditure costs were not accompanied by GDP growth and increased revenues, since businessmen did not trust enough to invest and wage earners did not trust enough to consume. The IMF demanded a fiscal adjustment but let the overappreciated currency go by. In sum, the reforms and the fiscal adjustment were badly planned and added to incompetent macroeconomic policies: they weakened the Argentine state, instead of making it stronger, and led the country to a serious economic and political crisis in late 2001.

The Argentine crisis reached its peak right after September and helped draw attention to the need for stronger, fiscally sound and administratively competent state organizations, in times of globalization. The nation-state remains the basic political unit, upon which lie collective interests and citizenship. Globalization made them interdependent, but not weaker. An organized or safe globalization demands competent, strong state organizations: it demands a democratic, liberal, social, republican state.

Republican, liberal, democratic and socialist ideals have entered into conflict throughout history, but this does not mean that they are intrinsically conflicting. One may regard them, in fact, as values that can coexist and add to each other. It is possible, therefore, to define what we understand by a strong liberal, democratic, social and republican state. A strong liberal state is a political system that protects freedom and property rights and respects all genders, races and cultures. A strong democratic state is a government system that assures a representative, legitimate government. A strong social-democrat state is one that pursues full employment and equal opportunities, and assures social rights. A string republican state is one whose rules are of the republican spirit and that strivers to protect republican rights – protecting, therefore, the public environment and economic wealth from corruption

and monopolist rent-seeking.<sup>40</sup> Globalization is not here to dismantle nation-states and their respective state organizations. Globalization merely makes markets and capitalism ubiquitous and requires them to be regulated at the international level. Thus, only with the support of strong and democratic nation-states, and not at the expense of their power, will it be possible to achieve the rule of law at the international level.

### **5. Terrorism flourishes in weak, frustrated states**

The events of September 11<sup>th</sup> took place within the context of an already globalized world where many nation-states remain weak and underdeveloped. The states where fundamentalism flourishes and terrorism rises are poor, weak ones, where modernization floundered. Their civil societies are non-existent; their elites are rapacious; their governments represent those elites exclusively. In the twentieth Century, a large number of countries, such as Japan and Italy, modernized and joined the club of rich capitalist nations. Others, like Korea, Brazil, Russia and South Africa, brought their capitalist revolutions to term and became intermediate development countries. A group of very large countries, including India and China, although still very poor on the average, managed to develop, industrialize, undergo a partial – but effective – modernization or Capitalist Revolution, and build strong states.

But a large number of countries was left behind for good. I point out two main types in this class: those that never experienced true economic development and a Capitalist Revolution, and those that tried to develop and modernize, but failed. The former, including many sub-Saharan countries, are still at the margin of the globalization process; their states are weak and their population incapable of protesting. As for the others, many of which are in the Middle-East and follow the Muslim faith, the case is different. Fundamentalism and terrorism grow in these countries mostly as a result of the national frustration experienced by the people

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<sup>40</sup> On the concept of republican rights, see Bresser-Pereira, 1997.



after the frustrated attempts at modernization had in the past 50 years. Turkey is the only country in the region that was able to become modern. Iran, the bearer of a long cultural tradition, was close to modernization in the 1960s and '70s, but its elites were corrupt and room was made for fundamentalism. Now, Iran is gradually finding its own path towards a secular society. Each of the other countries has its own unique circumstances, but the threat of fundamentalism is greater in those where frustration in modernization and national affirmation is clearest. This is why Habermas notes that “Despite its religious language, fundamentalism is, as we know, an exclusively modern phenomenon and, as such, is not just other people’s problem”.<sup>41</sup>

This is not the time to ask why so many attempts at modernization fail. The absence of an educated people and of an active civil society with control over the elites is at the root of the problem, but this is precisely the definition of pre-capitalist societies. Therefore, to accomplish the original or primitive accumulation of capital and succeed in the national and capitalist revolution, they require illustrated merchant and political elites, that only by chance could be there. For some time, developed countries thought that World Bank and IMF technicians, endowed with superior knowledge and financial capabilities, would be able to demand action from local elites and control their performance, but, unfortunately, they failed in most cases, mostly because international technocrats are incapable of understanding each country’s specific economic and political circumstances. Since the mid-1980s, however, developing countries have been adopting two appropriate stances: pressing poorer nations to invest in education and to adopt democratic political regimes. With these policies, they reinforce local elites’ ability to govern, making them answerable before the people.

Clearly, the countries that are at the margin of economic growth are also those that are excluded from globalization. According to Clive Crook, globalization, “far from being the main cause of poverty, is the only possible cure”.<sup>42</sup> In other words, only

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<sup>41</sup> - Jürgen Habermas (2002: 5).

<sup>42</sup> - Clive Crook (2001: 2).

countries that take part in globalization and adopt the new technologies and institutions it requires will have the conditions for economic growth. But the problem that became so evident after September 11<sup>th</sup> is that the population in the countries that are unable to do so is growing increasingly restless. Such countries are unable to take part in globalized markets or, when they do, it is on such disadvantageous terms that they cannot achieve any real growth and improvement to standards of living. In several studies, using regression analysis, Dany Rodrik showed that poor countries are not profiting from international trade.<sup>43</sup> One must not, however, make a confusion between ‘international’ trade and ‘free’ trade. International trade can privilege manufactured goods over primary ones, as Prebisch demonstrated long ago; local production at poor countries can be organized in such a way that the benefits of international trade only accrue to a small elite or foreign interests.

Therefore, the fight against terrorism and all kinds of fundamentalism involves grater efforts by the international community to help developing countries whose modernization was frustrated by corrupt, alienated elites. Such help, however, will only bear fruit if it concentrates on allowing the population and the elites of these countries to protect their national interests and solve their own problems, instead of imposing modernization policies that are not necessarily appropriate to their needs.

As for the poor sub-Saharan countries, the threat they pose lies not in terrorism, but in infectious diseases. In a globalized world, where viruses travel as fast as men and women do, wealthy and intermediate countries cannot ignore this fact. If they have so far been unable to act out of solidarity, they must now do so in their own interest. For some years, wealthy countries have discussed conditions to relieve the debt of these countries. The time is come to speed up the process, because if loans to these countries were largely captured by corrupt local elites, responsibility for this befalls not only the transgressors, but also the international technocrats that invented a growth strategy based on foreign loans.

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<sup>43</sup> - See Dany Rodrik, 1999.

## **6.To ensure security, globalization needs to become political**

For the international order required by globalized markets, it is essential that the United States be strong and that there is a strong economic military association among developed countries, as are G-7 and NATO, but that is not enough. It may be helpful to include intermediate countries through G-20, for example, or through an expanded UN Security Council, but, again, that is not enough. Creating strategies to reduce poverty in poor countries and to constrain the corruption of the elites in countries whose modernization or Capitalist Revolutions are beginning are essential tasks, but achieving these objectives demands strategies that international institutions have proved themselves unable or ill-equipped to draw. The essential task is to make leading nations understand the new characteristics and requirements demanded by the rising Globalization Politics.

We might compare the new challenge the entire twenty-first Century world faces, with the ordeal nation-states underwent when they emerged from the feudal order. The challenge faced by the king, in association with the bourgeoisie and, later with emerging politicians and civil societies, was to reestablish the order within national borders – an order, or security, capable of fostering the development of domestic markets. However, slowly but inevitably, societies understood that order could not be based on force alone, but also by on the rule of the law and the gradual affirmation of civil, political, social and, finally, republican rights. They also realized that these objectives involved the participation of the elites, at first, and the of the people in political matters: they involved argument, the development of secular ideologies and public debate, and requires, besides competition, some level of cooperation and solidarity. In other words, attaining social order involved politics, in the noble sense that Aristotle and, recently, Hannah Arendt assigned to the term. Nation-states can be born out of violence, war and revolution, but their only choice is to become political, to build a government system, to cultivate some level of mutual solidarity and respect among members. Civil, political and social rights are the result of successful bottom-up experiences, but also a response to intrinsic needs of the new social and economic order that was taking shape.

According to Arendt, in her book *Of Revolution*, politics is an alternative to war and to violence. She notes: “Aristotle’s the two famous definitions of Man, that Man is a political being and a being endowed with speech, are mutually complementary”. And she concludes:

The important point here is that violence itself is incapable of speech, and not just that speech is powerless when confronted with violence. Because of this inability to speak, political theory has little to say about the phenomenon of violence... Inasmuch as violence plays a leading role in wars and revolutions, both that place, *de rigueur*, outside the political sphere, despite their enormous role in recorded history.<sup>44</sup>

Politics was central to the Greek *polis* and the Roman republic, where speech and arguments were of the essence. But these were exceptional times, in a pre-capitalistic world ruled by violence and war, rather than politics. With the emergence of modern nation-states, politics gained sway among their members who, at the same time, became citizens. Through discussion and persuasion, citizens established methods to decide on collective action, regulate elections and representation, establish common objectives, define rights and duties, reach agreements and compromises. Violence lost ground, unless we consider the amount of money spent on political campaigns as a form of violence. With this money, however, the rich try to persuade the poor: they can no longer threaten them. It is still not a clean or democratic way of doing politics, but it is politics: not just brute force.

Therefore, politics is an alternative to brute force. It existed tentatively in Ancient Greece and in the Roman Republic and reappeared in modern times with the emergence of nation-states, born out of violence but gradually turning to politics and becoming peaceful and democratic. In the international field, the first manifestation of politics was diplomacy. Negotiations started preceding wars and, in some cases, preventing them. But diplomacy and politics are different things. In

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<sup>44</sup> - Hannah Arendt (1963: 19).

classic diplomacy, the main path to resolve issues is not persuasion or vote, but the threat of violence. This was the principle of international order that the Treaty of Westphalia – the Balance of powers Diplomacy – embraced. But this order was already declining since the end of World War Two.

Now, in the globalized world, the challenge countries face is similar to the one nation-states faced during their consolidation process: attaining order and security, but now at the global, rather than internal, level. To achieve these objectives, diplomacy is turning into politics. Modern diplomacy, which is essentially economic diplomacy, is already a form of politics. A strictly political diplomacy that aims to create political institutions at the international level is increasingly important. The first major step in the twentieth Century was the establishment of the United Nations. Now, the United Nations and related new international political institutions, such as the International Criminal Tribunal, and the several international agreements, regardless of whether they concern protecting human rights and the environment or fighting drugs and international crime, will be buttressed.

The major international challenge nowadays, when the Balance of powers Diplomacy has lost much of its sense, is to turn globalization into Globalization Politics: to ensure a political status to the globalized economy. Globalization, *per se*, is not an international order. However, as in addition to international economic institutions such as the WTO and the IMF, the specifically international political institutions we have just made reference to gain in strength and representation, globalization will cease to be the manifestation of wild globalized markets to become a civilized, political way according to which nation-states and individuals will relate in the international field.

## 7. Globalization Politics Demands Solidarity

As was the case within nation-states, as international institutions gain strength, international cooperation ceases to be a slogan and a certain level of international solidarity builds. A solidarity we might explain as the manifestation of the altruistic inclination that checks the self-interest in each of us, or as Tocqueville's "self-interest rightly understood". That fact is that life in a politically organized society demands solidary behavior from the society's members. When a globalized economy tends to become a globalized society, a certain level of solidarity is in order. When a globalized society exists, there are global enemies to be fought – enemies like fundamentalism, terrorism, the drug trade and extreme poverty. Therefore, a globalized society can only fight such enemies if it develops a certain level of solidarity, and, therefore, of collective action. Self-interest and competition will still prevail, but cooperation and solidarity will occupy a necessary space. Recently, a public health professor at UCLA, in an article published in the *Washington Post* whose title is self-explanatory, "Why We Must Feed the Hands that Could Bite Us", emphasized the American people's interest in aiding poor countries.<sup>45</sup> Globalization brought people closer not only economically and culturally, but also in terms of health. Wealthy countries now have a rightly understood self-interest in showing solidarity towards poorer ones.

Solidarity already exists among wealthy countries. They may compete economically with each other, but know that they are all players in a game – a game where the sum always exceeds one – and, therefore, they build solidarity networks among themselves, their firms and their citizens. As developing countries complete bring their Capitalist Revolutions to term, attain an intermediate development level and become democratic, they are admitted into this club as second-rate members. The problem is at developing countries where modernization was frustrated and at very poor countries.

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<sup>45</sup> - See the work of American physiology and public health professor, Jared Diamond (2002).

These two classes are those in most dire need of solidarity, but are also the ones that get it the least. It is harder to be solidary towards those that are different. At wealthy nation-states, mass immigration turned the multicultural problem into one of the central political issues they face. At the international level, rich countries often see poor and frustrated ones as a threat, which makes solidarity into something of a problem. When wealthy countries try to show solidarity, it often takes the shape of charity action mixed with traumatic ‘civilizatory’ terms.

There is no easy solution to this problem. The international institutions established to promote growth, like the World Bank, were more successful with intermediate countries than with poor and frustrated ones. Their international technocrats are full of good intent, but good results depend more on the local authorities’ and businessmen’s ability to put to good use the resources provided as aid or financing, than on the ancillary terms and conditions. In the case of Sub-Saharan Africa, for example, the World Bank’s decision, in the early 1970s, to base its development strategy for the region’s countries on international financing was a great mistake. The corrupt local elites squandered the loans so that, 30 years later, income per capita was still more or less unchanged, but there was a great foreign debt outstanding.

The increased level of solidarity in the globalized world occurs not only because this behavior is coherent with wealthy countries’ self-interest. One must also take account of the moral values of their citizens, whose concrete manifestation can be seen in international NGOs and social movements they run, and of poor countries’ needs. These two factors are leading to the emergence of a globalized civil society and a globalized citizenship, to wit, the United Nations’ Human Rights Declaration. It made it clear that man and women have a right to have rights. Globalization is speeding up this process. The concrete possibility of globalized citizenship and a globalized civil society is part of the global dynamics.<sup>46</sup> It is just one more aspect of Globalization Politics.

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<sup>46</sup> - On the emergence of a globalized citizenship, see the research of Cristina Vargas (2001). She surveys work by Manuel Castells, Anthony Giddiness, Boaventura de Sousa Santos, David Held and Yuval Davis.

## **8. Globalization Politics assumes fair controls**

Globalization is a historical fact that has come to stay. It is a technological and economic phenomenon that promotes societies' ability to increase productivity and generate wealth, inasmuch as it allows the advancement of the international division of labor and the realization of the of Ricardo's Law comparative advantages. But markets, when out of control or subject to biased regulations, can be as blind and unfair as regards the distribution of income and wealth, as they are effective in the allocation of production factors and the promotion of economic growth.

Globalization made all countries interdependent. Before globalization, huge and growing gaps between nations were a moral hazard for developed countries and the main problem faced by developing ones: they are now challenges for all. Inequalities are dangerous; but if we keep in mind Hirschmann's tunnel effect, we will note that inequalities increase is even more dangerous.<sup>47</sup> Globalization involves opening markets and increasing productivity and wealth levels, but also increased inequality when the poor and weak are unable to take advantage of the opportunities globalization provides. We know that markets are efficient, but blind. Therefore, like in the domestic markets, globalization demands control and the establishment of a legal system, but such a system can only be effective if it is minimally fair.

Market liberalization was a major advance for developing countries, where import replacement strategies no longer made sense. The same, however, does not apply to countries whose modernization was frustrated and to poor. They are far from completing the Capitalist Revolution, and do not boast a modern business class, nor a competent professional middle class. Their insertion into the globalization process often involves economic risks. Groups or regions that are unable to modernize are fated not only to remain at their current status, but also to lose income and social face.

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<sup>47</sup> - When drivers face a traffic jam at a two-lane tunnel, they get frustrated, but the drivers of one lane will experience a lot more frustration if the other lane starts moving.



In the reform process, wealthy countries established priorities according to their interests. The opening of financial markets and the full protection of intellectual property rights, for example, took place, in many countries, at a point in time where they were not yet ready for such reforms. With few exceptions, the opportunities offered by international globalized markets acted against developing countries, not in their favor. In the 1970s, developing countries first took the initiative in international economic matters. They became involved in an failed international effort to build a New International Order based on trade preferences. But they suddenly had access to large amounts of international private credit, became heavily indebted, and since then their growth rates have dropped substantially, while they lost the precarious edge they had gained in the international field. Since the end of World War Two, most developing countries had engaged in a state-run imports replacement strategy. These countries (with the classic exception of the Asian Tigers, who were able to change their exports-based growth at the proper time) expanded too fast based on state intervention, generating severe distortions in their economies and in their state apparatus. The foreign debt crisis and the state fiscal crisis revealed their economic frailty in stark clarity.

The initiative was now with US and the instruments were the World Bank and the IMF. Since the Baker Plan, in 1985, the fiscal adjustment and market-oriented reforms became the new domestic guiding principle, while, at the international level, the US advanced with the Uruguay Round and the establishment of the WTO based on the GATT, and its important provisions concerning property rights and the protection of direct investment. All of these policies were pointed in the right direction. In each country, they met to the demand for necessary reforms and, internationally, they pointed to the creation of globalized markets that, in principle, are in everyone's best interest. However, it is now common knowledge that the Uruguay Round's agreements benefited wealthy countries over their poor peers, that the financial liberalization took place too early and went too far, leading to repeated financial crises and cutting down on economic growth rates, and that the agreements concerning property rights also provided more benefits to developed countries more than to developing ones.

These facts, together with the inability of most poor and developing countries to take advantage of the opportunities globalization offered, led to increased gaps in growth per capita rates between wealthy and poor countries. *In extremis*, they culminated in frustrated modernization. On the other hand, accelerated technical progress increased the demand for skilled labor, reducing the demand for unskilled workers and leading to greater income concentration within each country. The criticism that contemporary globalization is keeping large portions of the world from the benefits of growth arises from these three factors. Discontentment with globalization has its roots not only in developed countries' left-wing groups, but also in sizable social segments in developing countries. The Porto Alegre Social Forum, which convened for the second time in January 2002, is a serious expression of such concerns. The advocates of globalization are right when they point out that the worst thing that can happen to a country is not to be able to take part.

Developing countries such as Brazil are already competitors in the international arena, and the challenge of growth they face depends mostly on their ability to move forward with democratization, so that public debate can reduce political errors their governments might be inclined to make. A just control over globalized markets is important to them, but far more important is their ability to think independently and take the necessary measures, not necessarily those recommended by international organizations. Circumstances are different, however, for poor countries and for those whose modernization was frustrated. A central challenge wealthy countries and international institutions face in their goal of attaining global security is how to develop certain solidarity initiatives capable of creating the conditions for such countries to become involved in an take advantage of globalized markets.

## **9. The transition to Globalization Politics is still difficult**

If the new emerging global order is a political order, in which the guiding principles are argument and persuasion rather than war and the threat of war, if it tends to be seated on the rule of law and on competition mitigated by solidarity, how can we

understand the fact that war was the immediate response to the events of September 11<sup>th</sup>?

The September 11<sup>th</sup> strike was aimed at the US. The world's hegemonic nation immediately saw this attack as an act of war, compared it to Pearl Harbor, and decided to answer war with war. For a few days, the problem was determining who the enemy was. The American press and government immediately defined international terrorism as the foe, but they knew that this subject is far too vague an actor to be set aside as an enemy. To characterize all countries that harbor terrorism as enemies was also too broad a definition. The US would have to include some traditional friends, such as Saudi Arabia. Afghanistan, however, proved to be perfect to be cast in the role of enemy, since the fundamentalist group that was in not only harbored terrorists but was held hostage by them. The Taliban used and was used by the world's leading paramilitary terrorist organization Al-Qaeda, so that it was difficult to tell the Taliban apart from Al-Qaeda followers. Unlike other regional wars the US were involved with, the Cold War was not behind this one.

The Taliban was defeated and so was Al-Qaeda, but we are far from saying that terrorists in general have been beaten, as no war will ever beat this breed of evil. In fact, when civilized nation-states set out to fight uncivilized terror with war, there is a danger that war itself may become uncivilized. Jürgen Habermas, writing on the consequences of September 11<sup>th</sup>, said:

The “war on terrorism” is no war. In terrorism we can see the deadly and wordless clash of worlds that, beyond the dumb terror and violence of missiles, need to develop a common language.<sup>48</sup>

The beastly attack on the American people brought about manifestations of solidarity from the civilized world because they all felt threatened. In the short term, the strike led the American government into a punitive war, but its main consequence over the hegemonic nation was to make it carry out a radical

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<sup>48</sup> - Jürgen Habermas (2002: 5).

reassessment of its international policy. For now, the United States' government and elites have not yet been able to make this reassessment, but they eventually will. The objective will be to increase American and international security by reducing hate. As is being gradually acknowledged, general retaliatory measures against unfriendly Arabian countries and the maintenance of a Cold War policy that keeps the world artificially split between friends and enemies will deepen the current insecurity, instead of alleviating it.

The obvious enemies are now terrorist groups. Moved by hate, their actions are not rational – there is no indication of the use of appropriate means to reach specific objectives. In contrast with the governments of nation-states, terrorist leaders do not fear widespread retaliation. They may even long for it, as it can only generate additional hatred.

Why did hate become so intense and so focused on the US? Just because the United States are the world's hegemonic country? Although many may feel tempted by this explanation, I am sure that it is wrong.<sup>49</sup> The United States may not be the "benevolent hegemonic power"<sup>50</sup> they like to think, but they are the first democratic country in the history of humankind to become hegemonic and, therefore, there will always be some level of anti-Americanism everywhere, even in countries that are the United States' best friends. This feeling is not, however, to be taken for the deep hatred that led to the September 11<sup>th</sup> terrorist acts. Is hatred tied to Islam? I do not think so. Many other peoples besides Arabs are Muslim – they number 1.3 billion – and only in the Middle-East do fundamentalist Muslims feel such rage. Is it because globalization is leading to increased, rather than decreased, economic inequality? This may make a little bit more sense, but there are many other poor nations in the world besides those in the Middle-East that do not feel similar hatred. Is it because American international policy was unable to see that the Cold War is over and continues to act partially towards countries it regards as friends, particularly the State of Israel? This answer does not explain all, but I believe that a basic

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<sup>49</sup> Paul Kennedy (2001), for example, defended this explanation in an article published immediately after the attack.

<sup>50</sup> This expression is attributed to Larry Summers, former US Treasury Secretary, Chairman of Harvard University.

explanation for such rage among Middle-Eastern peoples – including non-Arabic ones, like the Afghanis and Iranians – may be found therein. In more general terms, the answer to the problem is directly tied to my basic argument in this essay. I believe that the time has come to move from the Balance of powers Diplomacy to Globalization Politics, from an international order in which participants are either friends or enemies, to another where participants compete with each other and, at the same time, have some voice in international political institutions.

Isolationism is gone for good. The September 11<sup>th</sup> events had the effect of making it clear to Americans why they need to engage with the rest of the world in a sustained manner. Defending an isolationist policy for the United States is as unrealistic as expecting them not to intervene in regional conflicts. Therefore, if the United States are the world's all-powerful, hegemonic country, if they no longer face enemy countries, but enemy terrorists, their strategy to constrain terrorism and ensure domestic and international security should change. Instead of aligning with friends against enemies, which made rational sense during the Cold War, they should move to a new policy, acting as impartial arbiter in regional conflicts.

The American government understood this new reality when it intervened in the former Yugoslavia. In a joint effort with NATO, it did not favor Bosnians, Serbs, or Croatians. It acted for peace. Thus, even if many were against the American attitude, I believe that, in the end, most people in the region were sympathetic to the US. In the case of the State of Israel, at first there seemed to have been a change in American policy; that it was not in the US's best interest to align with one side alone. As the hawks made their position prevail in the American administration, however, the mistaken notion that fighting Palestinian terrorism is part of the war on international terrorism gained prevalence. The US need to ensure Israel's security, but now it is essential to have peace in the region. This may take some time. Right now, all we see from the parts of Israel and Palestinian terrorist groups is radicalization. But the reasoning of emerging new international order tells us that the United States will play a relevant role in the region's peace process, and they will end up owning up to their necessary part, which involves taking an impartial stance as to both parties. This change in policy will eliminate one source of hatred.

In the new globalized world that emerges with the end of the Cold War, medium term objectives will be to maintain effective order and security, ensuring freedom and reducing inequalities between men and women and between nations. I say this not just because it is coherent with my own personal values, but also because globalized markets will so demand. Globalized markets will require new international institutions, new international behavior patterns, that is, a new international order: Globalization Politics, or Globalization Diplomacy, instead Conflicting Powers Politics.

The US will remain as the hegemonic country for quite some time, but will have to relinquish unilateral policies and play according to the international rules they are actively helping build. Before September 11<sup>th</sup>, the US rejected the Kyoto Protocol, denied support to the International Criminal Tribunal, and opposed joint action against tax havens. They now begin to gradually review these policies. The changes will take time, face opposition, and demand debate. Interests and ideologies will continue to play their classic roles. But I believe that a new understanding of the impact these issues will have on the United States' interests will lead to new resolutions. Two important changes are already evident: US support to the United Nations is less ambiguous and the American policy of automatic alignment with Israel is no more. Europe, in turn, will also have to change. Its domestic society is better balanced, but the cross-cultural problems arising from immigration will require a more reasonable solution. Its protectionism, too, particularly as regards agriculture, will need to be toned down. As for this later aspect, change is already under way, as we saw in the WTO's meetings in 2001 in Doha, Qatar.

#### **IV.CONCLUSION**

In the first part of this report, I tried to answer the question: 'why did democracy become the preferred political regime among advanced societies and among philosophers only in the twentieth Century?'. My answer My answer did not revolve around the notion that this happened because democracy is the regime that best

ensures freedom and social justice. I argue that the basic reason lies in the fact that democracy is the regime the best ensures achieving a political objective with precedence over all others – political stability and political and social order. The other three political objectives modern societies pursue – freedom, social justice and economic development – rely on the presence of political stability.

Political instability was the evil that plagued the old Greek democracy, since the system was inconsistent with pre-capitalistic forms of surplus appropriation: violence via use of the state. After the Industrial Revolution, which completed the Capitalist Revolution, profits, obtained by means of the exchange of equivalent assets in the market, became the means to appropriate surplus by excellence, and the dominant groups or classes ceased to depend on control over the state to remain powerful and gain wealth. But the capitalist class did not immediately relinquish power to the poor. It took the liberal state at least one hundred years to become the liberal democratic state.

In this process, dominant classes faced a trade-off between utter political power, which authoritarian regimes would assure, in principle, and increased legitimacy for the existing political system. One way or another, the poor always demand participation in the political process. While this objective was not met, the political regime's legitimacy was always questioned, and political stability was jeopardized. The moment such participation (though limited) became possible under democracy (poliarchy), with no real risk to the rich, the trade-off became interesting to them.

On the other hand, it is important to note that, in addition to this trade-off, the capitalist class had two reasons to support a more open political regime. Firstly, because of the rule of the Law, which is essential for markets to operate properly, free from arbitrary powers, which is best assured by democracy. Secondly, because for the first time the ruling class – the bourgeoisie is – is numerous, answering for a significant portion of the population. *Ergo*, a new historic fact, the change in the manner of surplus appropriation, made it rational for the ruling class to adopt democracy. As for the poor, given the lack of alternatives, it was rational to take part in the democratic game.

I did not set democracy and poliarchy apart in this text, which is not to say that democracy made good on all of its promises. It is a significant fact that Bobbio's *The Future of Democracy* begins with a chapter on democracy's unfulfilled promises.<sup>51</sup> There is no room here to discuss the risks and challenges of democracy. On that, I would just like to emphasize that democracy is the first political regime capable of self-correction, as long as it has available the mechanisms for this – particularly the presence of a strong civil society with lively public debate.

In this paper, I show how economic development leads to democracy, since the Capitalist Revolution, as a historic episode, gives rise to modern economic growth. Economic development leads to democracy, and the people's improved standards of living and education allow the quality of democracy to improve as well. Therefore, the strongest causal direction is from economic development towards democracy. But there is reason to believe that the reverse relationship is also true. A consolidated democracy leads to increased public criticism and debate. And the outcome of debate is better laws and better public policies. And we will make less mistakes in our public policies. This is one more reason for everyone – capitalists, professional middle-class and workers – to prefer democracy. One might say that capitalists enjoy special favors from the state in authoritarian regimes and that this is more common in such regimes than under a democracy, but the economic consequences in terms of growth are limited to the very short term. Soon rent-seeking behaviors would prevail and entrepreneurial and competitive ones would become less frequent. In democracies, there is room for state intervention and industrial policies, but they are assumed to be transparent and short-lived.

As for justice and equality, little doubt remains as to the fact that there is a strong correlation between them, and that the causal relationship flows from democracy towards justice. The problem with justice and equality is that the concepts philosophers use to define them are very abstract, leaving many questions unanswered. Simple equality is unattainable and does not seem just; equal opportunity is a clearer and more feasible objective, but capable of leading to great

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<sup>51</sup> See Bobbio (1984).



inequalities. Michael Walzer offers a sensible, concrete concept of justice.<sup>52</sup> His spheres of justice and distribution, each defined by a socially given and acknowledged social good, are an important step towards a concept of justice that is neither utopic nor purely abstract. As long as the specific distribution criterion in each sphere is respected and as long as individuals and groups are not allowed to cross the boundaries of each sphere, we will have what Walzer calls “complex equality”. But, he adds, an essential condition to attain complex equality is “egalitarian citizenship”. Or, in other words, democracy. David Miller adds a second requirement: “status equality”, i.e. citizens that relate within and across spheres with equal respect.

Thus, the good state is, nowadays, essentially the democratic state. Democracy is the political regime that best meets everyone’s demands. As we have seen, through democracy, the most important political objectives can be achieved. In addition, democracy offers legitimacy as regards decision-making criteria. Take, for example, the problem that has recently dominated the current political debate: the size of the state. Ultraliberals argue that the state should be reduced to a minimum and that reforming the state means downsizing and deregulation. This is an old model with roots in the nineteenth Century. However, given the state’s fiscal crisis that arose in the 1970s, the ultraliberals were able to persuade bureaucratic and business elites. A new right-wing wave that embraced a singular market fundamentalism took over hearts and minds, while an aged left-wing, committed to state interventionism, was momentarily left at the margin of debate. But the conservative wave was short-lived. Voters were quick to show, in successive elections, that they did not approve of a minimal state, and conservative parties had to change their discourse. The democratic criterion or constraint – the will of voters – prevailed.

This debate, like all others, is the subject of democracy. For each political issue, experts will offer rational arguments to defend their points of view. Politicians and ideologists will add rhetoric to this. But the final criterion will be neither technocratic, nor rational; it will be political: it will express the will of voters in

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<sup>52</sup> See Walzer (1983), and Miller (1995).

democratic election processes – and voters will be rational when they cast their ballots. Sometimes, they will not vote, because they do not believe there is a crisis to be solved, or any special decision to be made. Democracy is a permanent collective decision-making process. In it, people delegate certain basic decisions to their representatives who, in turn, delegate other decisions to bureaucrats in the Executive and the Judiciary. But despite all the difficulties with the institute ‘representation’, what history shows us is that representative democracy is advancing, albeit slowly and hesitatingly. What we witnessed in the past two centuries is the people conquering political power little by little and making democracy a reality, however imperfect.

We live in a globalized world where competition in the markets is central, but competition must be checked by cooperation and solidarity. However, instead of global solidarity, what we have seen is global hatred. Consistent steps must be taken to revert this trend. A democratic world requires international security, and the United States can rely on other democratic nations to ensure this. In the short term, the question is how to punish terrorist organizations. In the medium term, it is how to define an international arbitration policy for the United States. In both cases, the challenge is to reduce hatred and establish civilized relationships among all.

This challenge and the efforts to face it are not new, but the events of September 11<sup>th</sup> show that they need to be addressed more consistently. I believe that a new international order is arising in response to the new realities. A new Globalization Politics will replace the old Balance of powers Diplomacy. Great nations will no longer regard one another as enemies, but as competitors. This new game may become a win-win game, if international political institutions alleviate the market’s blind action, if competition is mitigated by solidarity, and if the world’s leading countries, through the United Nations, play the role of neutral arbiters in regional conflicts.

In this new international order, nation-states will remain powerful, and more autonomous than the globalist ideology suggests. However, to attain security in globalized markets, they will need to cooperate and to accept greater economic and

political interdependence. The transition from the threat of war and diplomacy to a world politics, from the Balance of powers Diplomacy to Globalization Politics, will involve concrete steps towards world governance. Secure, equitable markets demand political institutions. Markets and politics are the alternative to brute force and war. Markets are the domain of competition; politics, the field for collective action. Markets appear to be self-regulated, but require political control. Political decision making involves argument and persuasion, as well as compromising and voting. While markets are expected to be competitive, politics is essentially cooperative. It admits conflicting interests, but is impossible without some level of solidarity. The events of September 11<sup>th</sup> show that no one is sage on their own and opened the stage for international politics for good.

The intrinsic combination of markets and politics, of self-interest and cooperation, of interest in profits and republican responsibility for the common good, of citizen rights and cross-cultural respect are at the heart of modern, secular, liberal, social and republican democracies. For the first time in the history of humankind, politics, rather than force, will become the most important factor in international relations. Military prowess will continue to play a role, but it will be a minor one. Through competition and free markets, mutual benefits can be achieved, but it is only through politics that the necessary values and international institutions can be created. It is through a modern diplomacy, now turned into politics, that the international government will rise one day. I will probably not live to see it rise, but the historic events I analyzed here make me believe that my sons and daughters, or at least my grandsons and granddaughters, shall. The global government is still not a reality, but it is no longer utopia.

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