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**WHY DID DEMOCRACY BECOME THE
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TWENTIETH CENTURY?**

LUIZ CARLOS BRESSER-PEREIRA



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Luiz Carlos Bresser-Pereira

RESUMO

A democracia tornou-se a forma preferida de governo apenas no século vinte. A busca por motivos racionais para entendermos a razão não é suficiente. O autor procura por um fato histórico novo que tenha levado a essa mudança de preferência, baseado sucessivamente na revolução capitalista e na perda gradual do medo da expropriação pela burguesia. A revolução capitalista que mudou o modo de apropriação do excedente, da violência para o mercado, é a primeira condição necessária. Representa também a transição do estado absoluto para o estado liberal. A segunda condição é o desaparecimento do medo da expropriação, permitindo a transição do regime liberal para o regime liberal-democrático. Depois de estabelecer estas duas condições, ou estes dois fatos históricos novos, o regime democrático tornou-se *rational choice* para todas as classes. Para os capitalistas, democracia é agora a forma de governo que melhor assegura o direito à propriedade e aos contratos. Para os trabalhadores, é a forma de governo que melhor assegura o aumento de salários com lucros.

PALAVRAS CHAVES

Democracia; regimes políticos; fatos históricos.

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ABSTRACT

Democracy became the preferred form of government only in the twentieth century. In order to understand why, the search for rational motives is not enough. The author looks for the new historical fact that led to this change of preference, and grounds it, successively, in the capitalist revolution and the gradual loss of fear of expropriation by the bourgeoisie. The capitalist revolution, which changed the manner of appropriating the surplus appropriation from violence to the market, is the first necessary condition. It also marks the transition from the absolute to the liberal state. The disappearance of the fear of expropriation is the second condition, allowing for the transition from the liberal to the liberal-democratic regime. After the establishment of these two conditions, or these two new historical facts, the democratic regime became the rational choice for all classes. For the capitalists, democracy is now the form of government that best assures property rights and contracts. For the workers, it is the form of government that best assures that wages increase with profits.

KEY WORDS

Democracy; political regimes; historical facts

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WHY DID DEMOCRACY BECOME THE PREFERRED POLITICAL REGIME ONLY IN THE TWENTIETH CENTURY?

Democracy is today the dominant form of government in fully developed countries and tends to be so in the partly developed ones. As well, democracy has become such a strong political value that nobody challenges it. Academics and politicians may criticize the particular democratic regime under which they live, and may have different normative ideas about democracy and how to improve it. But there is a broad consensus about 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 as recent as modern democracy itself. Advanced countries became real democracies only in the twentieth century, when the poor and women finally won the right to vote and to be elected. Why did democracy become the dominant form of government so late historically? Why, after the Greeks, did philosophers prefer some form of monarchy or aristocracy to democracy? I know that there are no simple answers to these questions. Nevertheless, I will offer some answers. I have been posing these questions to myself since the mid-1970s, when the transition to democracy started in Brazil. In the late 1970s I sketched an answer, and published a book explaining why the transition to democracy had begun and why it would be successful. I argued that Brazil would necessarily turn democratic since it had already completed its 'capitalist revolution' and that, in fully capitalist societies, democracy was the only form of government that made sense to people independently of their social class. In the short run, a threatened capitalist class may choose authoritarian rule, but, in a market economy, as long as capitalists do not need to control the government in order to survive, they will become first less resistant and eventually favorable to the people's demands for democracy.¹ In this paper I try to develop this argument, linking the preference for democracy, which always existed in one form or another among the poor, with the subsequent suspension of two vetoes from the rich: first with the end of the absolute veto of the powerful to democracy as the capitalist revolution made the appropriation of economic surplus dependent rather from the market than from the control of the state; and second with the end, throughout the nineteenth century, of the capitalist class fear of expropriation by the poor in the event of democracy being established. After these two

historical conditions were fulfilled, democracy became a win-win alternative – a rational choice of the bourgeoisie as well as of the workers and the emerging professional middle class. In other words, the rise of capitalism and the liberal system opened the way for democracy to become, in the twentieth century, the equivalent to the ‘good state’: the form of government most consistent with political stability.

I will sketch here an historical theory, which is related to the classical theories of capitalist development that originated with Smith and Marx and to the theories of modernization of Weber and Parsons, but which also searches for the rational motivations behind these changes. My method is historical – I use specifically the ‘new historical fact method’, in which the researcher is supposed to look for the new events that changed the broad picture of the reality being studied – complement with the search *a posteriori* of the rational motivations behind. I will only be able to look for such motivations after looking for the historical new facts that changed economic and social conditions and made a previously non-rational political behavior rational. The emergence of democracy is a historical fact the understanding of which requires the combination of the historical-deductive method, and the search for new historical facts giving rise to new social and political patterns with the *a posteriori* examination of rational social mechanisms². In this paper I claim that the new historical fact behind the modern rise of democracy was the capitalist revolution and the corresponding change from a violent form of appropriating the economic surplus to a market one. After that, democracy did not become necessary, but it became possible. Yet, this was a necessary but not a sufficient condition for the rise of democratic regimes. It would take a hundred years after the industrial revolution – the whole nineteenth liberal century – for the capitalist class stop fearing democracy, and, giving the mounting pressure coming from the middle class and the poor, ceased to resist the demands for more democratic participation.

1. The philosophers’s view

In the ancient world, the normative view about the good political regime was clear: it should be monarchical or aristocratic, not democratic. The most that could be admitted was Aristotle’s ‘mixed regime’, in which some aspects of democracy were combined with authoritarian rule. Since their political objective was the ‘good life’ or happiness, and since they believed that state

institutions and governments had a major influence on this outcome, they were either outright authoritarian, like Plato, or moderate, like Aristotle and Polybius, and contented themselves with mixed regimes in which both oligarchic (government by the rich) and democratic (government by the people) elements were present. Democracy alone was dangerous, subject to factions and corruption. Today, Greek democracy cannot be viewed as true democracy, given the exclusion of women and foreigners and the existence of slaves. Yet it was an extraordinary political development – as indeed Greek civilization as a whole was an exceptional historical phenomenon. For some time in the Roman republic there was a repeat of Greek democracy. Dahl explains the emergence of Greek democracy in terms of military technology, specifically the more ‘democratic’ infantry, with its hoplites proving to be superior to the horse and the chariot. It was only when new and expensive weapons were required and the citizens’ militia was replaced by professional and mercenary soldiers that the republic was disrupted and the times of aristocratic and military rule returned. In the middle ages, changes in military technology once again vested superiority to the mounted knight.³ Only many centuries later, with the great revolutions in France and in the United States, would democracy once again be heard of. Yet, these will be rather liberal than democratic revolutions: they rather fought for the protection of civil rights and the rule of law, than for the affirmation of political rights, particularly of the universal suffrage.⁴

After the Greek democracy and the Roman republic, which offered opportunities for creative political thought, the idea of the good political regime reappears between the thirteen and the fifteenth centuries, first in northern Italy in the form of republican city-states, and then, principally in England and France, with absolute monarchies. Politics – the art of governing through argument and compromise, and not just through the use of force – begins gradually, slowly, to resurface. Politics reappeared in the Italian merchant city-states with the republican humanists and particularly with their major representative, Machiavelli. After centuries, in a particular region of the world the times were suitable for doing and thinking politics. Yet, with the rise of the modern national-states in the form of absolute monarchies, such opportunity for politics and political thought apparently faded out. Not so. Since the emerging nation-states were the outcome of a political alliance of the monarch with the emerging bourgeoisie, the members of

this social class started to participate in setting up new institutions. Not only the times of markets but also the times of politics and of political thought gained a new momentum.

With industrialization, the capitalist revolution completed itself in England, and soon after, in France and the United States. The new market economy required a non-arbitrary state: a liberal state, respectful of property rights and contracts, in which the rule of law prevailed. Yet political philosophers were still a long way from democracy. They lived in absolute monarchies, and they saw no alternative to them. The idea of a fully authoritarian state was restricted to religious thought and to conservatives who continued to base political legitimacy on tradition. A new breed of political philosophers emerged: the enlightened or liberal philosophers. Liberalism is originally the ideology of the bourgeoisie, but it is more than that. Barrington Moore's theory relating liberalism and democracy to the emergence of the 'gentry' – a numerous proprietary stratum below the aristocracy and above the rich peasants and the new bourgeoisie – is well-known.⁵ 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 powers of the monarch, conserving the monarchic and aristocratic regime. Liberals are champions *par excellence* of the rule of law and civil rights. For some time, aristocratic republicanism competed with liberalism, stressing solidarity and civic duties rather than individualism and civil rights, but it also was not in favour of the republic *per se*, much less of democracy: being only theoretically 'republicans' because they had the Roman republic as model, they remained practically monarchists. Together with the liberals they became fully republican in the United States, where they had to fight the English monarchy to gain political independence, and in France with the French Revolution. But these were essentially liberal revolutions, not democratic ones.

Yet the word 'democracy', forgotten since the Greeks, was again used and heard. Particularly in the French Revolution, there was a radical democratic project, inspired by ideas originally developed by Rousseau and Kant, which proved self-defeating in the hands of the Jacobins. Habermas, writing on the French Revolution and on the dialectic between liberalism and democracy, emphasizes that 'democracy and human rights form the universalistic core of the constitutional state that emerged from the American and French Revolutions in different variants'.⁶ However, such a universalistic core would take a century to begin to become reality.

After the liberal revolutions, some liberals turned republican, others remained monarchists – constitutional monarchists – but with something in common: they did not support democracy. On the contrary, they often identified democracy with the worst excesses of the French Revolution. In light of their historical experience, liberal political philosophers – like for instance Benjamin Constant – remained hostile to democracy, with the instability and the disorder that it would entail, 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 favour of what I call here modern or representative democracy. Being a citizen of the republican city-state of Geneva, he believed only in direct democracy. In large empires, or ‘nation-states’ in modern terminology, he had the same view as Montesquieu: government was much more complex and difficult, and there was no alternative to some kind of despotism. The basic criterion that divided the liberal state from a liberal-democratic state – the universal inclusion of women and the poor 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. 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.’⁷

The liberals, who have been the dominant political philosophers since the eighteenth century, were not democrats until the twentieth century. In the past, they feared democracy. They feared the people, or the masses. They accepted the liberal politicians’ policy of granting voting rights to the people, but gradually, slowly. One reason for this, according to Bobbio, was the classical 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.’⁸

In the second part of the nineteenth century, however, things began to change. For the market economy a liberal political regime was not enough for making safe property rights and

contracts. On the other hand, pressure from those who had no vote but were part of the market process became irresistible.⁹ Democracy, which used to be a pejorative word, gradually underwent a transformation. In mid nineteenth century, John Stuart Mill, following indications already existing in the work of Jeremy Bentham, was one of the first major philosophers to endorse democracy.¹⁰ Yet, writing in the mid-1960s, C. B. Macpherson noted with a hint of irony that ‘democracy used to be a bad word... 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.’¹¹

2. The end of the first veto and the first democracies

Only throughout the nineteenth century did democracy become, gradually, equivalent to the good state, as long as it proved to be the more stable form of government, and, more generally, the form of government that, despite class conflicts, best promoted the interests of the poor as well as those of the rich. Since the liberal revolutions, capitalists had feared that democracy would allow the workers to opt for socialism. This fear gradually diminished as the workers did not demonstrate such aggressiveness. Thus, at the beginning of the twentieth century we eventually have the first real democracies. As Dahl asserts, ‘although some of the institutions of poliarchy appeared in a number of English-speaking and European countries in the nineteenth century, in no country did the demos become inclusive until the twentieth century’.¹²

Democracy may be defined as the constitutional political regime assuring the rule of law, freedom of association, speech and information, minorities’ rights, whose government members are regularly chosen according to majority rule through free and competitive elections, from which participate all its adult members (universal suffrage). In other words, I understand as democratic a political regime that minimally satisfies Dahl’s criteria defining a poliarchy.¹³ In the twentieth century, democracy or poliarchy became finally dominant in the more economically advanced countries, as the last of these characteristics – universal suffrage – was eventually adopted by many countries. Table 1 presents the first countries to adopt the universal suffrage up to the 1940s. The first country was New Zealand, in 1893. The adoption of the universal right to vote did not mean that a country completed its transition to democracy, but in most advanced

countries this was clearly the case. Such countries had long been constitutional or rule-of-law regimes. Freedom of thought and association and regular elections had also existed for some time. When the property less and the women were finally 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 suffrage is adopted.¹⁴ Table 1 presents the countries that first adopted universal suffrage. The fact that democracy is a twentieth century phenomenon is quite clear in this table. The problem is to know why only in this moment democracy became a viable political regime.

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

Year'	Countries
1893	New Zealand
1902	Australia
1906	Finland
1913	Norway
1915	Denmark and Iceland
1918	Austria and Luxembourg
1919	Germany and the Netherlands
1920	United States
1921	Canada and Sweden
1923	Ireland and Uruguay
1928	United Kingdom
1929	Ecuador
1931	Sri Lanka
1932	Brazil
1934	Cuba
1937	Philippines
1942	Dominican Republic
1944	Jamaica
1945	Italy, Bulgaria, and Hungary
1946	France, Japan, Turkey, Poland, Albany, Romany, Panama, and Malta
1947	Argentina, Venezuela, and Pakistan,
1948	Belgium, Israel, South Korea, and Suriname
1949	Chile and Costa Rica

Source, Santos (1998).¹⁵

The capitalist revolution was the new historical fact that made democracy viable and, eventually, desirable. I understand by capitalist revolution the sum o three major economic and political changes: it begins with the commercial revolution, the rise of the commercial bourgeoisie, the

definition of profit as the objective of economic activity, and of capital accumulation as the means to achieve it; it proceeds with the national revolution which allows for the rise of the absolute states which would assure secure domestic markets and would be instrumental for further economic progress; and is completed by the industrial revolution, after which permanent technical progress and productivity increase become survival conditions for the business enterprises. With the capitalist revolution, the nation-states were able to develop three basic institutions – the constitutional system, the modern state apparatus, and the market. The two major outcomes of the capitalist revolution were the political coordination of society according to the rule of law, assured through a professional bureaucracy, and the economic coordination of society through the market system. For the first time the market economy became dominant, and so the economic surplus ceased to be appropriated mainly by dominant groups through the use of violence or control of the state, and started to take the form of profit and interest. Mankind, for the first time, had the possibility of creating and consolidating democratic institutions. This idea is suggested by Celso Furtado:

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 extracting the 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 socio-economic formations in which surplus are predominantly captured through exchange belongs to the *genus* capitalism.¹⁶

Furtado was not discussing the rise of democracy, but this contrast between the authoritarian and the mercantile forms of appropriating surplus was the seed of the theory I am presenting here. The eighteenth century had already a hint of it when some thinkers contrasted the harshness of aristocracy with the softness of capitalism. Montesquieu, above all, underlined commerce's 'douceur'.¹⁷ Albert Hirschman (1977) commenting on this view observed that, while the warrior aristocrats were subject to great and sometimes heroic passions, the bourgeois was limited to more modest and moderate traits. Analyzing Shaftsbury, Hutcheson and Hume, he showed how these philosophers viewed economic activity as a 'calm passion'. Marx rejected

these views, but Furtado's insight probably had its origin in Marx. In the same manner that Hobbes could not predict from his social contract theory that the liberal state would arise, Marx could not foresee that from his theory of surplus value as the exchange of equivalents would emerge the democratic state. The transition from the traditional to the market economy represents a landmark in the history of civilization. It turned profit into the economic motive, and capital accumulation and technical progress the means to that end. It represented the change from tradition to reason and interest. After the capitalist revolution, besides the working class and the bourgeoisie, a new and large professional middle class gradually emerged and became a central factor in stabilizing politics.

With the capitalist revolution, the forms the appropriation or allocation of the economic surplus changes radically. In pre-capitalist times, the appropriation of the surplus depended directly on political power because such appropriation was, to a high degree, the outcome of the threat and the use of violence. In pre-capitalist societies, the distribution of income was essentially a political question. Thus, the control of the state, or political power, was crucial. To obtain wealth and prestige, one had first to be politically powerful. The economic surplus was originally appropriated through war, when the dominant groups were able to collect booty, to enslave the defeated, or to impose heavy taxes on colonies. As society changed from the tribal to more complex forms, like city-states and empires, taxation became increasingly important. In the transition to capitalism and the formation of the modern nation-states, the control of land by violent means gained relevance. Throughout these historical processes, the military aristocracy, with the support of a patrimonial bureaucracy and a religious hierarchy, appropriated 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 retain political power and wage war. In such a system, political power is so crucial that elites must impose an absolute veto on democracy. Being economically rich depends on being politically dominant. There is no separation between the public and the private space, in so far as control of the state is the privileged means to achieving property and wealth. The poor, identified by Aristotle as the sponsors of democracy, will often press for freedom, for civic and political rights, but elites will resist ferociously. They will resort to all forms of violence, because

this is the way to secure the economic surplus. Since markets enjoy only a marginal existence, there is no other way to distribute wealth and income than through control of the state. Occasionally the people or the merchants may gain some power, and establish some form of democracy or republic, but the new regime will soon be wiped out, given the enormous interests involved in political power.

After the transition to the market economy, this situation changed dramatically. Now, constitutional and market systems coordinate society. Now economic theory emerges and is able to define the economic factors that determine the distribution of income between rents, profits, and wages. When the capitalist revolution is completed we have a market economy: profits and wages start to be regularly determined by the market. From that moment, the state ceases to be crucial to wealth acquisition and distribution. It remains relevant, but no longer a condition for the existence of the economic elite. Thus, the new capitalist class can do what the previous dominant classes could not: it had the possibility of not vetoing democracy. From this moment on, the rejection of authoritarian regimes gathered pace; the consensus against democracy disappeared. As Dunn observes, the 'dismal of the viability of democracy was a fair summary of an 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'.¹⁸

The claim is that the emergence of modern economies, in which the economic surplus is appropriated through the market, although not a sufficient, it is a necessary condition for the preference for democracy. It does not refute the theory that links democratization to economic development, but reinforces it in so far as it supplies a rational explanation for this connection. The classic paper on this subject is by Lipset shows that the more advanced an economy is, the more democratic it will tend to be.¹⁹ Yet his explanation is unconvincing. Lipset uses theories of modernization, and stresses the importance of education—which is indeed important, but not enough to explain why democracy became the preferred form of government only in the twentieth century. In fact, his seminal paper establishes a correlation, not a causal connection. It was published in 1959; later, many other studies were made in this area. Diamond, who wrote a survey of such studies, concluded that 'the level of socioeconomic development is the most

important variable in determining the chances of a democracy, but far from completely determinative'.²⁰ Recently, Przeworski et al. conducted a major research project on democracy for the period 1950-1990.²¹ The authors demonstrate that 'where they are established, democracies are much more likely to endure in more highly developed countries'. In general, they conclude that in rich democracies (above US\$6,000.00 per capita, per annum) the probability that the regime will relapse into dictatorship is practically zero. Yet the authors expressly acknowledge that their research does not permit a causal connection to be established. The same is true in relation to the theory I am presenting. This theory does not establish a causal connection. Yet it gives the question an historical perspective, and it presents a rational 'social mechanism' to link democracy to social and economic development. The historical change in the process of appropriating the surplus made democracy and the power shifts that this form of government entails acceptable to politicians.²²

This is a theoretical rather than an empirical paper. Yet it is interesting to observe in Table 1 that New Zealand, Australia and Finland, rather than much higher industrialized countries, were the first countries with universal suffrage. The fact that they were small national-states, and at least two of them, new ones, is probably part of the explanation. It is also interesting to note that in this table some had not finished their capitalist revolutions, and their political regimes were probably not democracies, but which nevertheless assured universal suffrage. Given international pressure from developed countries, or the natural tendency of local elites in developing countries to import institutions from abroad, some or all characteristics of poliarchy may be found in countries where the economic surplus continues to be appropriated and allocated mainly through the state, not exhibiting the economic and social conditions required for stable democracies. This is particularly the case with some Latin American countries. Several countries made early transitions to democracy, without having effective domestic conditions for that: it is not surprising that these are unstable democracies. In contrast, a country like Mexico, which completed its transition to democracy late, neatly after its capitalist revolution was complete, counts with a consolidated democracy. The same reasoning applies to countries like Brazil, Argentina, Uruguay and Chile, although these countries had a more complex democratic history, particularly because, in the context of the Cold War, they were object of a particular kind of

military coup in the 1960s and 60s: authoritarian modernizing coups. Between the Latin American countries that obviously did not have completed their capitalist revolutions, and the above referred countries, we have intermediate countries like Venezuela and Colombia, which were often presented as models of democracy by political annalists failing to include as a condition for a consolidated democracy the fact that the appropriation of economic surplus turned dominantly a market process. Because developing countries tend to imitate the developed ones, and because they are submitted to pressures to adopt democratic regimes, the full transition to a capitalist economy is not a condition for democracy; yet, it is a condition for a consolidated democracy. On the other hand, some countries that had already completed their capitalist revolutions took more time than was usual to become democratic. This is the case with some successful Asian countries, among which Singapore is the extreme example: probably because it counts with a long term enlightened ruler, this country remains authoritarian despite its wealth. And there are also countries, like Germany, that made their transitions to democracy after completing their capitalist revolutions but, given certain particular historical circumstances, later relapsed into authoritarian rule.

Dahl writes of three periods of poliarchy growth: 1776-1930, 1950-59, and the 1980s. Huntington, probably inspired by this, identified three waves of democratization.²³ In each wave, countries that had become capitalist and liberal made their transition to democracy, as predicted by the theory I am developing here, while others just followed. At the end of the twentieth century, besides most of the English-speaking and European countries, all Latin American and an increasing number of countries in the other continents were democratic. Democracy had become the dominant form of government. Why did the transition from authoritarian to democratic rule, as well as the corresponding transition in the views of political philosophers and the public in general, take so long? If the seed of democracy was liberalism, why did liberal ideas became dominant in the nineteenth century and the democratic perspective only a century later?

3. The end of the second veto: the fear from expropriation

After the completion of the capitalist revolution, the bourgeoisie, ceased to impose an absolute veto on democracy, but the world was not yet ready for it. It was ready only for a liberal regime,

in which the rule of law was assured but the poor were denied the right to vote. Given the possibility of democracy, capitalists realized that its advent could mean that the workers would win elections and expropriate owners. It took one century for this fear to disappear – a century in which, bit by bit, it became clear that the majority of workers would not vote for some kind of socialist revolution. The transition to the market economy opened the way for the liberal, but not the democratic, state. The control of the state remained naturally a central political objective for dominant groups, for two reasons: it continued to play an important role in income distribution; and it continued to play a central role in assuring public order. During and immediately after the transition to the market economy, one of the roles of the state, besides assuring property rights and contracts, was to create conditions for further income accumulation in order to finance economic growth. Yet, at the same time, a liberal order was being established. Before the liberal state, all people were subjects; now, individuals gradually gained citizenship. Yet, just as it took time for the aristocracy to grant full citizenship to the bourgeoisie, so it would take time for the workers to become entitled to vote. The new capitalist class was liberal but not democratic. Although the seeds of democracy were in the liberal state, in the name of freedom liberals fought democracy intensely. The argument was that freedom and equality would conflict with one another, 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 tyranny of the majority and the denial 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 and capitalism, which he calls ‘the private enterprise market system’. Both would be ‘methods for popular control over “public” decisions’, the former through the vote, and the latter through consumers’ individual preferences.²⁴

Thus there were two historical transitions in the rise of democracy: first, from the absolutist to the liberal state, when the first veto came to an end; second, and from the liberal to the democratic state, when the second veto – the fear of expropriation – ran its term. The classic exception was the United States, which changed from a colonial status to a liberal regime. Both transitions involved conflicts and compromises. Just as the first transition required the aristocracy

to share power with the bourgeoisie, the second necessarily brought the workers into the political process. For both transitions the capitalist revolution was a necessary but not a sufficient condition. The last thing that I want is to convey in this paper an economically determinist view of history. On the contrary, politics gained increasing autonomy throughout these two transitions. Defining political values and creating adequate institutions became two major factors in organizing social and economic life. 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 the poor did not have a real alternative to the capitalist system.

For a long time this was not self-evident. The Marxist critique made liberalism artificially inconsistent with democratic socialism. By the end of the nineteenth century, however, the arguments against universal suffrage had lost their force in so far as the bourgeoisie realized that their fear of expropriation by the workers was groundless.²⁵ Gradually capitalists realized that the workers did not vote as a bloc, and that the majority of workers would not vote for their expropriation. The second necessary condition for democracy – the ending of the fear of expropriation – was materializing. Advanced industrial countries were ready for liberal democracy. It is true that at approximately this time, the 1917 communist revolution haunts capitalism. Yet, it was not capable of stopping the movement toward democracy, probably because it was obvious to most that it did not really represent a realistic alternative.

It is true also that, after the communist revolution and the 1930s depression, the ideas to increasing welfare spending and taxes gained momentum. Why did capital owners choose democracy, despite the threat of higher taxation? Probably because, despite their rhetoric against taxation, they realized that the welfare state was not a real threat to the capitalist system. On the contrary, provided that it would be kept under control, it could be a form of protecting the profit rate and more broadly the whole system rather than a way of threatening it. Keynes realized that clearly, and the last thing that could be said about him is that it was anti-capitalist.

The bourgeoisie choose democracy primarily because it was under pressure from the middle and the lower classes, but also because it realized this was a more effective and stable way to assure law and order, property rights and contracts, than the authoritarian alternative. In endorsing democracy, it did not give up political power. It knew it could count with conservative,

and even with social-democratic political parties. It kept control on the form of financing electoral campaigns, and on the media. And it did not compromise on the liberal values and principles: it made sure that the protection of minority and civil rights remained as core elements in each national constitution.

To sum up, by introducing a market form of appropriating the economic surplus, the capitalist revolution created conditions for the transition from the absolute to the liberal state; as the experience showed that democracy would lead to expropriation of the rich by the poor, the bourgeoisie gradually got reassured, and accepted the transition from a just liberal to a liberal democratic form of government. Both were necessary conditions for democracy. They were new historical facts that created the historical conditions for new institutions. A third condition was necessary for this outcome – the demands of the workers or the poor for democracy – but this was a long-standing reality rather than a new historical fact. It may be considered a new historical fact only because the pressure for democracy from the part of workers and the poor increased in the more advanced countries in the second part of the nineteenth century, as the opportunity for democracy became clearer.²⁶ Demands are not just proportionate to need, they are also to opportunities.

4. Rational motives

The threat to capitalism represented by socialism re-emerged after the October 1917 revolution, but, for the more advanced countries, it was felt more as a foreign threat than a domestic one. Before the Soviet Union collapsed in 1989, Przeworski had established the rationality of the workers' refusal to support a socialist revolution. According to him, workers in advanced democracies had rational motives to feel no attraction for a revolution expropriating the rich. He proceeds from the assumption that, if workers are given the right to vote, they should, in principle, rationally vote for a socialist government. Yet they do not, because, on the one hand, as long as they control 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', and 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, even 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 the workers. Or, concludes Przeworski, 'a class compromise is possible only on the condition that workers have a reasonable certainty that future wages will increase as a function of current profits'.²⁷ When Przeworski speaks of socialism, he actually means 'statism', which for some time was an economic and political alternative to capitalism.

While Przeworski was developing this political analysis showing that it would not necessarily be rational on the part of the workers to opt for statism, and that they could compromise with the capitalists if their wages increased with profits, I was developing an economic analysis that led me to the same conclusion: since the profit rate, not the wage rate, should be viewed as given the growth process, wages could increase with productivity: workers could share with capitalists the benefits of economic development. In this historical growth model, I inverted the distribution of income: profits, that in the classical model are the dependent variable, were viewed as the independent one, while wages, which classical economists viewed as constant, were understood as the residuum. The rate of profit is constant in the long run because there was no real economic alternative to capitalism, and, thus, the economic system and its institutions has no choice but to adopt strategies – institutional, technical, and economic – to avoid a possible long-term decline in the profit rate. As productivity increase, wage rate increases at the same, a smaller, or a higher rate than productivity, but always increases, so that workers have good reason to keep participating in the economic system.²⁸

The fact that the workers, eventually, had no better option was perceived not only by them but also by capitalists. And, as long as the latter understood this, they saw less and less reason to fear democracy. On the contrary, they became increasingly confident in democracy, which could mean the guarantee of social rights besides civil and political rights. It could require wage increases, but this would not be a burden as long as they did not threaten the long-run profit rate. On the contrary, wage increases could sustain the profit rate to the extent that they maintained

effective demand, as Keynes demonstrated. As it became rational for workers, not just as a class but individually, to support capitalism and to fight for democracy and for social rights, it also became rational for capitalists to support democracy, while resisting welfare initiatives. Workers increasingly understood the limits to their wage demands, while capitalists increasingly became persuaded that democracy could facilitate workers' demands but, as a trade-off, provide a legitimate political system, more able than authoritarian rule to assure political stability. In addition, capitalists realized that democracy made the rule of law much more secure – and nothing is more important for business activity than a stable constitutional and legal environment. Democracy better assures social order, first, because it protects property rights and enforces contracts, two essential conditions for market economies to work and grow; second, because the emergence of social rights and of the welfare state reduces extreme inequalities and limit exclusion, thus further contributing to order; and third, because the existence of political rights provides individuals and groups with a reasonable opportunity to exercise some voice and even to participate in government. At first, elites 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. Finally, a major rational argument for capitalists to support democracy – an argument that became stronger during the twentieth century after a professional middle class emerged and shared income and political power with the capitalist class – was that the new ruling class was larger than the old aristocracy, and so needed institutions permitting groups within it to share political power or to rotate in government. Under these circumstances, democracy was the obvious rational choice for each individual capitalist. Democratic institutions create conditions for the resolution of their internal conflicts. Aristocratic groups, though plagued by internal and murderous struggles, were always small. They solved their conflicts personally. The emerging capitalist class, being large, had in democracy a better and more secure way of resolving their conflicts. Thus, gradually, all major political actors became persuaded that democracy was the form of government that was most favorable to business as well as to the workers. The times when democracy was savaged by greedy and turbulent factions, referred to by the Greek philosophers, were over. A new social or political contract was informally signed among workers, capitalists, and the new professional middle classes that were emerging under twentieth

century capitalism. The fight for justice, the condemnation of corruption and privilege, and the possibility of constructing more efficient and more just models of capitalism continue to be major political tasks, but democracy has become established as the universally preferred form of government.

5. Conclusion

What is the relevance of the theory presented in this paper? First, it permits us to better understand the past. With it we understand why democracy became the preferred form of government only in the twentieth century. We understand why democracy emerged and was consolidated initially in the first countries to undergo capitalist revolutions, like England and United States. And we understand why in the United States, where fear of socialist expropriation was definitively weaker, democracy was already a phenomenon of the nineteenth century – if we don't count the women. Second, it provides a tool for determining whether or not a democracy is consolidated. If it emerges endogenously, as an outcome of the capitalist revolution and the overcoming of the fear of expropriation, it will be consolidated, whereas if it is the outcome of external pressure, or of the attempt of local elites to imitate institutions of the more advanced societies, it will not be. Mexico, for instance, took too long to become a democracy, but when it did it was already a consolidated democracy, while Venezuela or Colombia, which achieved democracy earlier, are still not consolidated democracies. Third, it leads us to view a case like Singapore – a rich country but nonetheless still an authoritarian one – as the exception, not the rule. Fourth, it permits us to predict which countries that are not yet democratic have a higher probability of making the transition to democracy. It was by using this theory that I was able, in 1977, to detect that Brazil's transition to democracy had begun and to predict that it would take place soon. It materialized in 1984/85 as the outcome of a broad political pact encompassing all sectors of society.²⁹

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¹ For the book, see Bresser-Pereira (1978). For a corresponding piece in English, see *The Dialectics of 'Abertura' and Democratization* (1984: chapter 9). While in the well-known studies about democratic transitions edited by O'Donnell, Schmitter and Whitehead (1986) the 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 new support of the business class for democracy as soon as it ceased to fear communist subversion (which is why the democratic regime collapsed in 1964).

² On the 'historical-deductive method', see Bresser-Pereira (2005). On social mechanisms, Elster (1998).

³ Dahl (1989: 245-247).

⁴ Note that I use the words 'liberal' and 'liberalism' in its classical sense, as the ideology that, in the political realm, will affirm the rule of law and civil rights, and in the economic one, market coordination of the economy. I don't use it in the colloquial American sense of progressive ideology, rather for than against state intervention in complementing market coordination.

⁵ See Barrington Moore, 1967.

⁶ Habermas, 1988: 465.

⁷ Dahl (1989: 123).

⁸ Bobbio (1991: 26).

⁹ See Macpherson (1966: 9).

¹⁰ We can also see a democratic posture in Thomas Payne and in Tocqueville.

¹¹ Macpherson (1966: 1-2).

¹² Dahl (1989: 234).

¹³ 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 [ancient?] Greek democracy, in this chapter I use ‘modern democracy’ or just ‘democracy’ and ‘polyarchy’ as synonyms.

¹⁴ Santos (1998: Table II).

²⁹ Santos, 1998, and the Laboratório de Estudos Experimentais, which compiled the data, used as sources Dieter Nohlen, ed. *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).

¹⁵ Furtado (1976: 33).

¹⁶ According to Montesquieu (1748: 609) ‘où il y a du commerce, il y a de mœurs doux’ (‘wherever there is commerce, customs are soft’).

¹⁷ Dunn (1979: 8).

¹⁸ See Lipset (1958).

¹⁹ Diamond (1992: 468).

²⁰ Przeworski et al. (2000).

²¹ On the concept of social mechanisms, see Elster (1998) and the edited book by Hedström and Swedberg (1998).

²² See Huntington (1991).

²³ Lindblom (1977).

²⁴ In the United States universal manhood suffrage had existed since the first part of the nineteenth century, probably because the Americans were the first to shake off the fear of expropriation.

²⁵ Therborn’s essay on this subject (1977) remains the basic reference..

²⁶ Przeworski (1985: 139, 177, 180).

²⁷ See Bresser-Pereira (1986, 2004), where I criticize Marx's theory of the declining rate of profit, and develop an classical model of growth in which the long term profit rate, not the wage, is constant, and the wage rate, the residuum increaing with productivity.

²⁸ Although my book on the subject was published in 1978, my first articles in the press on the subject date from May 1977, just after the 'Pacote de Abril' – an assemblage of authoritarian political decisions taken by president Ernesto Geisel which offended all social classes, including the bourgeoisie, which had supported the 1964 military coup. At that moment, the capitalist revolution was completed, and the fear of expropriation had vanished.