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***Changing accounts of  
the relationship between  
capitalism and democracy:  
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## **Changing accounts of the relationship between capitalism and democracy: from incompatibility to partnership, and back?**

The relationship between capitalism and democracy is one of the major questions of our time. Since this question first emerged, in the wake of the French and the Industrial Revolutions, strikingly different accounts of it have been advanced. In 2002, for example, President Bush (Jr.) described democracy and capitalism as two harmonious halves of a single social order: ‘The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise’.<sup>1</sup> More than a century earlier, the British Conservative Robert Cecil formulated a less optimistic view. Emphasizing the danger for private wealth that would flow from a greater, more inclusive electorate, Cecil stated: ‘[suffrage extension] means, in short, that the rich shall pay all the taxes, and the poor shall make all the laws’.<sup>2</sup> Writing in the immediate aftermath of the French Revolution, the French liberal Benjamin Constant was even more sceptical. ‘Property must be in charge or annihilated’,<sup>3</sup> he proclaimed, arguing that a restricted franchise was a necessary precondition for the preservation of private property.

This article is an attempt to collect these and other accounts of the relationship between capitalism and democracy. In addition to collecting these accounts, it attempts to integrate and organise them into an overarching historical narrative. The intention is to provide context to contemporary debates that discuss and question the compatibility of capitalism and democracy.

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<sup>1</sup> G. W. Bush, *National Security Strategy* (Washington, D.C.: The White House, 2002), p. 1.

<sup>2</sup> As cited in P. Smith, ed., *Lord Salisbury on Politics: A Selection from His Articles in the Quarterly Review 1860-1883* (Cambridge: Cambridge University Press, 1972), p. 155.

<sup>3</sup> Benjamin Constant, *Principles of Politics*, ed. E. Hofmann, trans. D. O’Keeffe (Indianapolis: Liberty Fund, 2003), p. 204.

These tasks, however, are complicated by the contested nature of the two concepts at stake. Few would disagree that the idea of private property in the means of production is central to the concept of capitalism, or that the ideals of popular sovereignty, participation, and equality of political power are central to the concept of democracy. Nevertheless, in the centuries under investigation, their precise conceptions and definitions have been disputed at least as much as the nature of their relationship.<sup>4</sup> Marx, for example, saw capitalism as a total system. In his understanding, it encompassed a set of material technologies and social relationships that combined into a mode of production with a definitive superstructure of culture, thought, and politics. Schumpeter, in contrast, though not afraid to speak of a ‘civilization of capitalism’,<sup>5</sup> defined it more narrowly, as ‘that form of private property economy in which innovations are carried out by means of borrowed money’.<sup>6</sup> Other authors have eschewed use of the term altogether, speaking instead of ‘free enterprise’ or ‘self-regulating markets’ when venturing onto the relevant conceptual terrain.

Comparable conceptual disputes exist with respect to democracy. Tocqueville, for example, combined a political with a sociological understanding of democracy, centred on ‘equality of conditions’ and integrated with a quasi-providential theory of history. Later authors like Anthony Downs or Adam Przeworski (or indeed Schumpeter) offered thinner accounts instead, in which democracy is defined primarily as a device for the selection of political leaders via contested elections. These in turn have been disputed by authors like Bernard Manin

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<sup>4</sup> For democracy, see e.g. J.-W. Müller, *Contesting Democracy: Political Ideas in Twentieth-Century Europe* (New Haven: Yale University Press, 2011); on definitions of capitalism, see R. M. Hartwell and S. L. Engerman, ‘Capitalism’, in *The Oxford Encyclopedia of Economic History*, vol. 1, ed. J. Mokyr (Oxford: Oxford University Press, 2003), pp. 319–25 (p. 319) or J. Kocka, *Capitalism: A Short History* (Princeton: Princeton University Press, 2016), chap. 1.

<sup>5</sup> J. A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: HarperCollins, 1942), chap. XI.

<sup>6</sup> J. A. Schumpeter, *Business Cycles* (New York: McGraw-Hill, 1923), p. 223. With an emphasis on finance, Schumpeter added that ‘in general’ this ‘implies credit creation’ by private banks.

and H el ene Landemore, who, drawing on Aristotle, place participation and sortition at the heart of their conceptions.

In light of these ongoing struggles over the concepts themselves, together with the changes and upheavals in the historical contexts in which discussions about capitalism and democracy have proceeded, is there any order that can be discerned in past accounts of their relationship? Or is there too much incommensurability, too much conceptual contestation, for any intelligible groupings or intellectual order to emerge?

This paper contends that despite shifting conceptions and evolving arguments, three families of accounts can be identified as central narratives over the course of the last two centuries. These three families revolve around narratives of *incompatibility*, *partnership*, and, more recently, *antagonism*. Each of these families, I argue, was central in a certain era and constituted a paradigm against which (or alongside which) other interpretations and narratives were then organised. Their central narratives were contested, changing, and assailed by both socio-political changes and by attempts at conceptual redefinition and reinterpretation. Nevertheless, in the writings of canonical authors and in the speeches of leading politicians, three successive, temporarily dominant families of accounts can be delineated. The rest of this introduction gives an overview of these three families; the remainder of the article describes them, as well as the most important rival accounts, in greater detail.

First, from the early nineteenth until the beginning of the twentieth century, various incompatibility narratives were central: a society could be democratic, or it could be capitalist, but it could not be both. Give the masses the vote, and in their poverty the many will use it to expropriate the rich, argued socialists, liberals and conservatives alike. In this period, Tocqueville stands out as the exception that confirms the rule. Drawing on his experience of eighteen-thirties America, he offered a compatibilist, partnership-like account of their

relationship, arguing that participation in a market economy instilled precisely the kind of *mœurs* that support the well-functioning of democracy.

As this period progressed, franchise extensions coupled with the continued protection of private property began to pose a puzzle for incompatibility accounts. Despite this puzzle, however, incompatibility narratives remained central, both in the years before and after World War I. The pre-war years saw various authors adding auxiliary hypotheses, rather than revising the core of their accounts, to square observed coexistence with incompatibility theories. After World War I, pervasive instability and the collapse of many of the newly created parliamentary democracies, often in coups tolerated or actively supported by propertied interests, gave renewed support to incompatibility narratives. In addition, the inter-war period saw a darker reading emerge. In this reading, both capitalism and parliamentary democracy were seen as overly rationalist remnants from the nineteenth century, destined to sink together in an age of mass- and myth-driven politics. Until deep into the twentieth century, scepticism about whether capitalism and democracy could go together—with each other and with modern mass society—therefore remained prevalent.

In the wake of World War II, however, democratic capitalism was seen to go from strength to strength. This presented an ever-intensifying puzzle for incompatibility narratives. Three main responses were articulated. Marxist and Hayekian accounts held fast to the incompatibility thesis, while adjusting various other features of their readings of democracy and capitalism. But, in an era widely perceived as a golden age for both capitalism and democracy, these two responses remained unconvincing. Instead, a third response, offering a more encompassing reformulation, became the central narrative of this period. This paradigm, Modernization Theory, saw capitalism and democracy as compatible, because both were reconstrued as components of a ‘cluster that hung together’: Western modernity. From the

nineteen fifties until approximately 2008, this narrative of capitalism and democracy as partners in modernity was dominant.

However, just as earlier incompatibility narratives were challenged by the continued protection of private property (and the continued expansion of capitalism) in the face of suffrage extensions, so, I show next, Modernization Theory partnership accounts were challenged in turn: first by Red Modernity—the then-real prospect of Soviet socialism overtaking Western democratic capitalism—in the nineteen-fifties and sixties, then by the internal economic and legitimation crises sweeping the West in the nineteen seventies.

Intellectually, these challenges were never fully resolved. Nevertheless, buoyed by Western stabilization in the nineteen eighties and the end of the Cold War soon after, partnership views emerged triumphant at century's end. During the nineteen-nineties in particular, the narrative of democracy and capitalism as partners in modernity reigned supreme, while Marxist, Hayekian, and other compatibility-sceptical accounts were relegated to the margins. Representative of this moment, the entry for capitalism in the 2003 *Oxford Encyclopedia of Economic History* reads: 'The combination of liberal democracy and capitalism has been so successful that it has become the model ... which the majority of states strive to create'.<sup>7</sup>

In closing, I point towards a third, incipient narrative, whose contours have emerged since the early two-thousands, and particularly after 2008. During this period, and with echoes of earlier incompatibility accounts, interpretations that foreground tensions between capitalism and democracy have become more and more prominent. The developments that point in this direction have not yet coalesced into a fully-fledged new paradigm; but it appears possible that we are entering a new period in which the previous zeitgeist—the interpretation of capitalism

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<sup>7</sup> Hartwell and Engerman, 'Capitalism', p. 324.

and democracy as partners in modernity—is displaced by a narrative closer to that of the first period: a narrative of capitalism and democracy as antagonists.

#### A. The people versus private property: nineteenth and early twentieth century narratives

From the early nineteenth century until well into the twentieth, a long tradition saw democracy and capitalism as incompatible with each other. Popular participation in politics, particularly universal suffrage, and private property rights could not go together, so the narrative went.

Precursors of this view were visible among anglophone authors of the eighteenth century. Hume, who ‘felt the need ... to stem the democratic republican tide’,<sup>8</sup> saw as one of the advantages of a national debt—then a recent and controversial invention—that it would make ‘all the stockholders ... fly to the support of government, whether menaced by Jacobitish violence or democratical frenzy’.<sup>9</sup> The presupposition of Hume’s argument was that financial interests, in particular those of bond owners, were opposed to democracy. Adam Smith, in a similar vein, observed that ‘[c]ivil government, so far as it is instituted for the security of property, is in reality instituted for the defense of the rich against the poor’.<sup>10</sup> Since ‘[f]or one very rich man, there must be at least five hundred poor’,<sup>11</sup> the introduction of democracy could be expected to result in a swift expropriation of the rich by the poor. James Madison, expressing a view widely held among the American founders, observed that ‘democracies [...] have ever been found incompatible with personal security or the rights of property’.<sup>12</sup>

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<sup>8</sup> I. Hont, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge, MA: Harvard University Press, 2005), p. 347.

<sup>9</sup> D. Hume, *Essays Moral Political and Literary* (Indianapolis: Liberty Fund, 1985), p. 355.

<sup>10</sup> A. Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell and A. S. Skinner (Indianapolis: Liberty Fund, 1976), p. 715.

<sup>11</sup> Smith, *Wealth of Nations*, p. 710.

<sup>12</sup> A. Hamilton, J. Madison, and J. Jay, *The Federalist Papers*, ed. L. Goldman (Oxford: Oxford University Press, 2008), p. 52.

Analogous views were found among French thinkers in the late eighteenth and early nineteenth century. Benjamin Constant, for example, argued that ‘property alone makes men capable of exercising political rights’.<sup>13</sup> ‘[T]hose without property’ would make ‘absurd and ruinous laws’.<sup>14</sup> As cited above, ‘[p]roperty must be in charge or annihilated’, for ‘if you put power on one side and property on the other, the latter will soon be at odds with legislation’.<sup>15</sup> Guizot and other French liberals, particularly during the July Monarchy, agreed: suffrage should be linked to capacity and capacity was best proxied by property.<sup>16</sup> Universal suffrage would be the ruin of stability, order, freedom, and property.<sup>17</sup>

Suggestive of and insightful about later developments,<sup>18</sup> these thinkers nevertheless belong to the prehistory rather than the history of theorising the relationship between capitalism and democracy. Their theories of commercial society reflected an awareness of the ongoing departure from feudalism and agricultural society;<sup>19</sup> but they used neither the vocabulary nor the conceptual apparatus of capitalism or of modern interpretations of democracy. This would soon change; yet for over a century, the incompatibility narratives adumbrated by these authors would remain central.

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<sup>13</sup> B. Constant, *Political Writings*, ed. & trans. B. Fontana (Cambridge: Cambridge University Press, 1988), p. 214.

<sup>14</sup> Constant, *Political Writings*, p. 216.

<sup>15</sup> Constant, *Principles of Politics*, p. 204. As with some of the anglophone authors, this picture is complicated by Constant’s advocacy for freedom of speech, freedom of religion, the rule of law, and a vibrant civil society, all of which he saw as going hand in hand with lively commerce, and all of which would later come to be seen as central elements of modern democratic societies. Yet his position on the (in)compatibility of private property and democracy was clear: ‘If you add to the freedom for their [the propertyless’s] talents and efforts, which you do owe them, political rights, which you do not, these rights, in the hands of the vast majority of them, will infallibly be used to encroach on property’. Constant, *Principles of Politics*, pp. 205–6.

<sup>16</sup> A. S. Kahan, *Liberalism in Nineteenth-Century Europe: The Political Culture of Limited Suffrage* (London: Palgrave Macmillan, 2003), p. 40.

<sup>17</sup> E.g. F. Guizot, ‘Discours sur la réforme du système électoral’, *Le Moniteur Universel* (Paris, 16 February 1842), pp. 321–22.

<sup>18</sup> I. Hont, *Politics in Commercial Society: Jean-Jacques Rousseau and Adam Smith*, ed. B. Kapossy and M. Sonenscher (Cambridge, MA: Harvard University Press, 2015).

<sup>19</sup> E.g. Smith, *Wealth of Nations*, book IV, chap. 1, pp. 396–417.



In Karl Marx's writings, the concept of capitalism as a social totality took shape. Though he rarely used the term, his work delineated the concept of capitalism as a mode of production, with a definitive base and superstructure that gave rise to new classes, interests, and conflicts, which was permeated and structured by determinate causal mechanisms, and which would be driven by dialectical tendencies to eventually propel its social order beyond itself. After Marx's death, this conception gradually entered wider and wider circulation.

A thicker notion of capitalist society allowed for a richer account of its socio-political tendencies and contradictions. Within this richer account, explored further below, continuities with earlier incompatibility narratives were visible. Consider Marx' discussion of the short-lived Second French Republic (1848-1851):

The classes whose social slavery the constitution [of the French Second Republic] is to perpetuate—proletariat, peasantry, petty bourgeoisie—it puts in possession of political power through universal suffrage. And from the class whose old social power it sanctions, the bourgeoisie, it withdraws the political guarantees of this power. It forces the political rule of the bourgeoisie into democratic conditions, which at every moment help the hostile classes to victory and jeopardize the very foundations of bourgeois society. From the first group it demands that they should not go forward from political to social emancipation; from the others that they should not go back from social to political restoration.<sup>20</sup>

In this passage, Marx argued that the capitalist mode of production generates, through the grim outcomes it reliably produces ('social slavery'), an *interest* in revolutionary change among classes that constitute a majority of the population ('proletariat, peasantry, petty

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<sup>20</sup> K. Marx, *Karl Marx: Selected Writings*, ed. D. McLellan, 2nd edn (Oxford: Oxford University Press, 2000), p. 319.

bourgeoisie’). Democracy (‘universal suffrage’) in turn gives this majority the *power* to act on this interest, to strike at the ‘very foundations of bourgeois society’: private property in the means of production. Once the bourgeoisie and the masses become aware of this constellation, the bourgeoisie will want to ‘go back’ from democratic capitalism to oligarchic capitalism, to protect its material and social standing against political intervention. The popular classes, in contrast, will want to ‘go forward’ from democratic capitalism to democratic socialism, to complete their political emancipation through social and material emancipation.

This was a more detailed account of the interaction between democracy and capitalism than what previous authors had offered. Yet the central tension remained the same: in a democracy, the many would be sorely tempted to use their power to expropriate the rich. Regardless of the resolution—expropriation of the rich or disempowerment of the many—the coexistence of capitalism and democracy had to be of limited duration.

While Marx was central to the development of the concept of capitalism, Tocqueville was a key thinker for the reconceptualization of democracy. From Plato to the eighteenth century, the view was widespread that democracies ‘have ever been spectacles of turbulence and contention’.<sup>21</sup> Rather than an object of serious analysis, let alone a desirable regime form, democracy appeared primarily as danger to stability, or, at best, a fanciful utopia in contrast to which more sober arrangements could be articulated.<sup>22</sup>

Tocqueville offered a radically different account. The United States he visited in 1831 presented a world-historical novelty: no longer the patrician republic of its founding years, it

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<sup>21</sup> Hamilton, Madison, and Jay, *Federalist Papers*, p. 52; Plato, *The Republic*, trans. C. Rowe (London: Penguin, 2012), esp. 557a–558d.

<sup>22</sup> J. Miller, *Can Democracy Work?* (New York: Farrar, Straus and Giroux, 2018), pp. 4–5. In Britain, though not in the US and France, similar views remained widespread well into the nineteenth century: ‘The word democracy ... in 1831 ... was understood to mean something vaguely terrible which might “come” and would “come” if the respectable classes did not stand together’, J. R. M. Butler, *The Passing of the Great Reform Bill* (London: Longmans, Green, and Co., 1964), p. 240.

had become the first durable, large (proto)democracy. Property- and taxpaying-restrictions on the suffrage, widespread prior to 1800, had given way to white manhood suffrage;<sup>23</sup> the selection of Electoral College electors had moved from elite-dominated state legislatures to the electorate at large;<sup>24</sup> and the First Party System of the early republic had given way to the Second Party System and ‘Jacksonian Democracy’, driving up voter turnout and engagement. Yet the United States continued to grow and prosper, as did its commercialised economy. In Tocqueville’s report, *Democracy in America* emerged as something providential, at once a type of society and a political regime, with a turbulent surface but a stable core. No more confined to small city-states, nor condemned to fatal instability, democracy in Tocqueville’s description became a viable, even providential regime form for modern societies.

Strikingly, and unlike Marx or the earlier theorists of commercial society, Tocqueville saw no conflict between the strong ‘sentiment of property’ present in America and its democratic polity.<sup>25</sup> To the contrary, he saw commerce as one of the safeguards of freedom and stability within American democracy (thus prefiguring Modernization Theory):<sup>26</sup> insofar as *moeurs* were the ultimate foundation of a democracy’s stability and freedom; and insofar as ‘free moeurs’ resulted not just from active participation in local politics, but also from active participation in a market economy, Tocqueville understood mass democracy and commercial society as mutually reinforcing parts of an egalitarian, modern social order.

While Tocqueville’s encompassing reconceptualization of democracy left its mark on later authors, his partnership view of commercial society and democracy remained a minority

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<sup>23</sup> A. Keyssar, *The Right to Vote: The Contested History of Democracy in the United States* (New York: Basic Books, 2009), chaps. 1 and 2.

<sup>24</sup> D. Ratcliffe, ‘The Right to Vote and the Rise of Democracy, 1787-1828’, *Journal of the Early Republic*, 33.2 (2013), pp. 219–54, pp. 249–51.

<sup>25</sup> A. Tocqueville, *Democracy in America*, critical edition, ed. E. Nolla, trans. J.T. Schleifer (Indianapolis: Liberty Fund, 2010), vol. IV, p. 1140.

<sup>26</sup> Tocqueville, *Democracy in America*, vol. III, part II, chap. 14.

perspective in the nineteenth century. This was true among conservatives: Vilfredo Pareto for example, a prominent conservative Italian political economist, argued that democracy tends to lead to an expropriation of the bourgeoisie,<sup>27</sup> both through taxation and through direct attacks on the legal foundations of property rights. James Fitzjames Stephen, conservative judge, author, and well-known critic of John Stuart Mill, remarked in a similar vein: ‘[democracy] is the poor saying to the rich, We [sic] are masters now by the establishment of liberty, which means democracy, and ... we will make you disgorge or we will put you to death’.<sup>28</sup> Future Conservative Party Leader and Prime Minister Robert Cecil stated simply: ‘[suffrage extension] means, in short, that the rich shall pay all the taxes, and the poor shall make all the laws’.<sup>29</sup> Not all conservatives shared this view: Prime Minister Disraeli advocated One-Nation Conservatism or Tory Democracy, believing that the masses could be formally included in politics while being guided from above. Particularly towards the end of the century, however, the majority of conservatives shared Pareto’s, Stephen’s and Cecil’s incompatibility views.<sup>30</sup>

It was not just conservatives, though, who subscribed to incompatibility narratives. Nineteenth century liberals, from John Stuart Mill to Lord Acton, held similar understandings of the relationship between capitalism and democracy. Though often expressed in more cautious terms, they too saw a deep tension between universal suffrage and the protection of private property. ‘It is known even to the most inobservant’, Mill wrote, ‘that the working classes have, and are likely to have, political objects which concern them as working classes, and on which they believe, rightly or wrongly, that the interests and opinions of the other

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<sup>27</sup> V. Pareto, *Manual of Political Economy*, ed. A. Montesano and others, trans. J. Chipman (Oxford: Oxford University Press, 2014), esp. chaps. II and IX.

<sup>28</sup> J.F. Stephen, *Liberty, Equality, Fraternity*, ed. S. D Warner (Indianapolis: Liberty Fund, 1993), pp. 183–84.

<sup>29</sup> As cited in Smith, ed., *Lord Salisbury on Politics*, p. 155.

<sup>30</sup> R. Shannon, *The Age of Disraeli, 1868-1881: The Rise of Tory Democracy* (Boston: Addison-Wesley Longman, 1992).

powerful classes are opposed to theirs'.<sup>31</sup> These objectives, Mill continued, arise from the fact that '[n]o longer enslaved or made dependent by force of law, the great majority are so by force of poverty; they are still chained to a place, to an occupation, and to conformity with the will of an employer, and debarred by the accident of birth both from the enjoyments, and from the mental and moral advantages, which others inherit without exertion and independently of desert'.<sup>32</sup> When universal suffrage is instituted, '[i]t will not be possible to go on longer in this manner'.<sup>33</sup>

Comparable statements pervaded the writings and speeches of other prominent liberals. Lord Acton held that 'Socialism [is] the infirmity that attends mature democracies',<sup>34</sup> and that '[a]s surely as the long reign of the rich has been employed in promoting the accumulation of wealth, the advent of the poor to power will be followed by schemes for diffusing it ... That is the notorious danger of modern democracy'.<sup>35</sup> Robert Lowe observed, as quoted in the introduction, that democracy 'is the rule of the rich by the poor'. 'In the colonies, they have got democratic assemblies. And what is the result? ... there is no greater evil ... to property'.<sup>36</sup> Indeed, when it came to constitutional reform in the United Kingdom, it was the Liberal Party that opposed the Second Reform Act of 1867, which doubled the British electorate by lowering the franchise's property requirement, and the Conservatives who pushed it through.<sup>37</sup> More so

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<sup>31</sup> J.S. Mill, *The Collected Works of John Stuart Mill, Volume V – Essays on Economics and Society, 1850-1879*, ed. J.M. Robson (Toronto: University of Toronto Press, 1967), pp. 707–8.

<sup>32</sup> Mill, *Essays on Economics and Society*, p. 710.

<sup>33</sup> Mill, *Essays on Economics and Society*, p. 708.

<sup>34</sup> J. Acton, *The History of Freedom and Other Essays*, ed. J.N. Figgis and R.V. Laurence (London: Macmillan, 1907), p. 63.

<sup>35</sup> Acton, *History of Freedom*, pp. 94–95.

<sup>36</sup> R. Lowe, *Speeches and Letters on Reform* (London: Robert John Bush, 1867), pp. 130, 153.

<sup>37</sup> For a general argument for the central role of conservative political parties in stabilising transitions to democracy, see D. Ziblatt, *Conservative Parties and the Birth of Democracy* (Cambridge: Cambridge University Press, 2017).

than Conservatives, Liberals were particularly afraid of democracy's consequences for trade and industry, for pound sterling and the national debt.<sup>38</sup>

Across the nineteenth century political spectrum, then, and with the significant exception of Tocqueville, writers like Marx, Pareto, Stephens, Mill, and Acton thought that democracy is 'the rule of the rich by the poor'. This, they believed—some approvingly, others with dread or disdain—would lead governments 'to recognize the universal brotherhood of mankind by an equal distribution of property'.<sup>39</sup> Insofar as universal suffrage was understood to belong to democracy, and private property in the means of production to capitalism, capitalism and democracy were seen as outright incompatible with each other.

## **B. A resilient narrative despite franchise extensions**

As the nineteenth century progressed, the authors of this tradition did not fail to notice successive suffrage extensions, and, while not always welcomed,<sup>40</sup> they observed that private property survived largely unscathed. The first counter-example to the incompatibility narrative—the US after its early- to mid-nineteenth century franchise extensions—could be dismissed as a special case, where an abundance of conquered land made extending the franchise to all white males compatible with private property. Though this situation was partly

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<sup>38</sup> 'Look at free trade. If we have a precious jewel in the world, it is our free trade policy. It has been everything to us. With what eyes do Democracies [sic] look at it?' Lord Lowe's speech of 26 April 1866 against the Second Reform Act, Lowe, *Speeches and Letters*, p. 149. See also Lowe's speech from 3 May 1865 on democracy and its consequences for the national debt and currency, Lowe, *Speeches and Letters*, in particular pp. 44–6. Also Henry Maine: 'Universal suffrage, which to-day excludes Free Trade [sic] from the United States, would certainly have prohibited the spinning-jenny and the power-loom' H.S. Maine, *Popular Government: Four Essays* (London: John Murray, 1885), p. 36.

<sup>39</sup> Stephen, *Liberty, Equality, Fraternity*, p. 183.

<sup>40</sup> 'In contrast to the idea of free trade, this particular embodiment of "progress" [democracy] never achieved anything like ideological hegemony, not even for as much as a decade or two—at least in the nineteenth century. To the contrary, the undoubted advance of democratic political forms in the second half of the century took place in the midst of a diffuse mood of scepticism and hostility'. A.O. Hirschman, *The Rhetoric of Reaction* (Cambridge, MA: Harvard University Press, 1991), p. 23.

replicated in other white settler colonies, like Australia and New Zealand,<sup>41</sup> its exceptionalism left the incompatibility narrative dominant in the European metropolis.

However, as the Gilded Age dawned in the US, rising inequality and the closing of the frontier narrowed the gap between American and European conditions. Yet American (white, male) democracy continued, and so did American capitalism.<sup>42</sup> In the French Third Republic, too, universal manhood suffrage and strong private property rights continued their stubborn if rocky coexistence for more than half a century, from the Republic's founding in 1870 to its collapse in 1940. In the UK, a similar pattern was visible: the Reform Acts of 1832, 1867 and 1884 greatly extended the franchise, but British capitalism continued apace.<sup>43</sup> And while suffrage extensions were often cushioned by counter-majoritarian, property-protecting institutions—from the pre- and post-war Gold Standard to the pre-1911 British House of Lords, from the very limited tax powers of the post-1871 German Reichstag<sup>44</sup> to the plural, property-weighted voting system that accompanied Belgium's 1893 male suffrage—the development of capitalism seemed to survive one expansion of the franchise after another.

All of this went against prevailing incompatibility narratives, according to which the arrival of democracy should have meant the end of capitalism. But while nineteenth and early-

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<sup>41</sup> J. Markoff, 'Where and When Was Democracy Invented?', *Comparative Studies in Society and History*, 41.4 (1999), pp. 660–90.

<sup>42</sup> This is not to deny episodes of intense contestation over how to govern the economy. Notable flashpoints include growing trade union activism after the Civil War, with peaks in 1877 and the last years of the nineteenth century; the Sherman Antitrust Act of 1890; and the Progressive Movement's challenge to the Gold Standard, particularly in the course of William Jennings Bryan's Presidential Campaign of 1896.

<sup>43</sup> As in the US, in the UK, too, there were episodes of intense contestation over the extent and nature of private property rights. Notable flashpoints here include the income tax, temporarily introduced in the course of the Napoleonic Wars, and a permanent fixture of the British political economy after the Crimean War; the intense debate around tariffs on food imports, centred on the introduction and then repeal of the Corn Laws in 1815 and 1846; and the comparatively early legal recognition of trade unions, with the Trade Union Act of 1871.

<sup>44</sup> More extensive tax powers were held by the Reich's constitutive states and principalities. Here, however, more restrictive forms of representation prevailed. Prussia, by far the most important, had a three-class (property-based) electoral system for the *Abgeordnetenhaus*, its lower house, and a system of royal appointment and hereditary membership (akin to the nineteenth century House of Lords) for the *Herrenhaus*, its upper house.

twentieth century theorists acknowledged this coexistence of capitalism with franchise extensions, they rarely revised the incompatibilist core of their accounts in light of it.

Marx came to see the liberal parliamentary republic, including universal male suffrage, as the paradigmatic legal and political form of advanced capitalism. Nevertheless, he maintained that in this regime form, too, the fundamental contradictions of capitalism remained operative. The growth of large-scale industry, he argued, would lead to the simultaneous immiseration and organisation of the working class. Once this development had forged the proletariat into a class *for* itself, class conflict would sharpen to a decisive point, and the working class would attempt to seize power. Under certain, rare conditions, this seizure of power might resolve itself peacefully through parliamentary elections.<sup>45</sup> The more likely outcome though would be a proletarian revolution, since the bourgeoisie—and even more so any remaining pre-bourgeois ruling classes—would not let go of power peacefully. The prolonged existence of liberal, parliamentary republics thus did not lead Marx to abandon his incompatibility reading. To the contrary, he remained convinced that no political regime, not even a liberal parliamentary republic, could reconcile majorities with the capitalist mode of production. Its self-abolition, whether through paper stones or barricades, remained a question of when, not if.

Mill's *Chapters on Socialism* display a family resemblance with the arguments advanced by Marx. They opened with an acknowledgment of (white) manhood suffrage in the US, France, and the German Confederation and continued to observe that the working classes had not (yet) used this suffrage to encroach meaningfully on private property rights.<sup>46</sup> Mill rendered this observation consistent with the incompatibility thesis he otherwise held by claiming '[t]he circumstances which have caused them, thus far, to make a very limited use of

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<sup>45</sup> M. Evans, *Karl Marx* (London: George Allen & Unwin, 1975), p. 137.

<sup>46</sup> Mill, *Essays on Economics and Society*, pp. 705–6.



that power, are essentially temporary'.<sup>47</sup> In particular, with echoes of Marx's class-in-itself versus class-for-itself distinction, the working classes' pursuit of socialism 'may be for the present retarded by want of electoral organization, by dissensions among themselves, or by their not having reduced as yet their wishes into a sufficiently definite practical shape'. But 'they will before long find the means of making their collective electoral power effectively instrumental to the promotion of their collective objects'. This was 'as certain as anything in politics can be'.<sup>48</sup>

Pareto, rather than looking towards political disorganization and the lack of a fully developed programme, pointed towards exceptionally high growth rates as the temporary factor permitting the coexistence of capitalism and democracy.<sup>49</sup>

[D]emocracy, at least insofar as one has been able to observe it up to now, entails great destruction of wealth and even succeeds in drying up its sources.<sup>[50]</sup> Consequently, it digs its own grave and destroys what was giving life to it; if it appears that this is not the case today, that is not only because the period of time during which the destruction of wealth has been going on has not been very long, but also because the marvellous technical improvements of our time have made it possible to produce a larger amount of wealth than has been squandered.<sup>51</sup>

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<sup>47</sup> Mill, *Essays on Economics and Society*, p. 707.

<sup>48</sup> Ibid.

<sup>49</sup> In claiming that growth is favourable to democracy, Pareto, like Tocqueville, prefigured an important element of Modernization Theory, covered in greater detail below.

<sup>50</sup> The nature of this destruction is not specified in this passage, but Pareto declares elsewhere: 'The efforts of state socialism artificially to change the distribution [of wealth] have as their first effect the destruction of wealth'. V. Pareto, *Écrits Sur La Courbe de La Répartition de La Richesse*, ed. G. Busino (Geneva: Droz, 1965), p. 17, own translation.

<sup>51</sup> Pareto, *Manual of Political Economy*, p. 204.

The implication is that, once ‘the marvellous technical improvements’ start to ebb, the popular classes would use universal suffrage to attack private property rights, inevitably ‘entail[ing] great destruction of wealth’.

From the nineteenth century until the dawn of the twentieth, then, a long and long-dominant tradition saw capitalism and democracy—in particular private property rights and universal suffrage—as incompatible. Democratic capitalism, where it came into existence, was seen as an unstable social order, unsettled by tensions between the poverty of the masses and their empowerment through democracy. The later authors of this tradition were not blind to the increasing cases of manhood or universal suffrage coexisting with private property rights. Much like epicycles in Ptolemaian astronomy, however, auxiliary hypotheses—e.g. political disorganization or periods of exceptionally high growth—were added to incorporate these observations while protecting the core of nineteenth century accounts of the relationship between capitalism and democracy: the perceived incompatibility of private property and universal suffrage.

### C. The inter-war period: instability and incapacity

Socially, politically, and intellectually, World War I shook Europe and (to a lesser extent) the United States to their core. *Belle époque* deference marched to war, then perished in the trenches. Revolution and civil war followed in the empires of Russia, Germany, Austria, and the Ottomans, with the most important instance, for the debates at stake here, the Bolshevik Revolution. Soon, the role of the masses in politics became an inescapable preoccupation for politicians, journalists, and philosophers alike.<sup>52</sup>

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<sup>52</sup> E.g. W. Lippmann, *Public Opinion* (New York: Macmillan, 1922); J. Ortega y Gasset, *The Revolt of the Masses*, trans. anonymous (London: George Allen & Unwin, 1932).

In this turbulent context, a number of post-war observers spoke of the ‘triumphal march of democracy’<sup>53</sup> or ‘the universal acceptance of democracy as the normal and natural form of government’.<sup>54</sup> American foreign policy, in particular via its entry into World War I, pivoted towards ‘making the world safe for democracy’.<sup>55</sup> In Europe, twenty-six out of twenty-eight states had become parliamentary (quasi)democracies.<sup>56</sup> At the same time, the October Revolution failed to spread West, leaving private property and a market economy as the dominant modes of economic coordination. After a sharp post-war recession, Western capitalism recovered into the ‘Roaring Twenties’.

Despite these developments, scepticism about the compatibility of democracy and capitalism remained. An ‘upsurge in working-class militancy between 1910 and 1920 ... swept the entire world’.<sup>57</sup> In the US, the post-World War I Red Scare saw dozens of anarchist mail bombings, ‘a strike wave the likes of which had never been seen before in American history’,<sup>58</sup> and rampant mob violence against trade unionists, particularly members of the Industrial Workers of the World (so-called ‘wobblies’).<sup>59</sup> The Wilsonian pivot in foreign policy gave way to greater US restraint and a focus on financial diplomacy, centred on negotiating repayments of war debts and a painful and de-politicizing return of international finance to the Gold Standard.<sup>60</sup>

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<sup>53</sup> C. Schmitt, *The Crisis of Parliamentary Democracy*, trans. E. Kennedy (Boston: MIT Press, 1986), p. 22.

<sup>54</sup> J. Bryce, *Modern Democracies* (New York: Macmillan, 1921), p. 4.

<sup>55</sup> Paraphrased from President Wilson’s War Message to Congress, 2 April 1917.

<sup>56</sup> N. G. Bermeo, *Ordinary People in Extraordinary Times: The Citizenry and the Breakdown of Democracy* (Princeton: Princeton University Press, 2003), p. 21. Quasi, since in many cases without female suffrage.

<sup>57</sup> Tooze, *Deluge*, p. 246.

<sup>58</sup> Tooze, *Deluge*, p. 341.

<sup>59</sup> Racial violence, too, flared up, adding further instability to the picture: ‘in July 1919 only a few blocks away from the White House, entire African American neighbourhoods were aflame ... 25 American cities were convulsed in the summer of 1919 by the most widespread outburst of racial violence since the Civil War’, Tooze, *Deluge*, p. 339.

<sup>60</sup> Tooze, *Deluge*, passim, and esp. chaps. 18 and 25.

In Europe, while parliamentary democracy became briefly abundant, many of the new regimes were short-lived: within a few years, parliamentary democracy had collapsed in Russia (October 1917), Italy (1922), Portugal (1926), Poland (1926), Lithuania (1926), Yugoslavia (1929), Germany (1933), Austria (1933), Estonia (1934), Latvia (1934), Greece (1936) and Spain (1936-9).

Each case had its own peculiarities and contingencies, with geopolitics, the role of the (Catholic) church, ethnic tensions, cross-border influences, and other factors playing important roles. Yet many regime collapses seemed to correspond well to the logic identified by nineteenth century incompatibility narratives. In Italy, the *biennio rosso* of 1919-20 saw the *Partito Socialista Italiano* winning national elections, trade union membership exploding from 250,000 to two million, strike waves sweeping the North, and factories and farmland forcibly being seized.<sup>61</sup> Reacting to this, ‘Mussolini was spectacularly successful in using the specter of Red revolution as a means of mobilizing support for a counteroffensive’.<sup>62</sup> In Portugal, ‘[l]arge landowners had been suspicious of democracy from its beginning, and industrialists had long complained of the democracy's inability to maintain order’.<sup>63</sup> A number of coup attempts were weakly resisted by the military and the judiciary, until a fourth coup succeeded in May and June 1926. ‘In Lithuania, the catalyst for the [December 1926, authoritarian] coup was the May 1926 electoral victory of a moderately leftist coalition of Peasant Populists and Social Democrats’.<sup>64</sup> In Greece, a similar dynamic unfolded: the 1936 coup was triggered by ‘an electoral outcome that frightened the Right’.<sup>65</sup>

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<sup>61</sup> Müller, *Contesting Democracy*, p. 61.

<sup>62</sup> Bermeo, *Ordinary People in Extraordinary Times*, p. 28.

<sup>63</sup> Bermeo, *Ordinary People*, pp. 33-4.

<sup>64</sup> Bermeo, *Ordinary People*, p. 32.

<sup>65</sup> Bermeo, *Ordinary People*, p. 48.

As a result of these and other cases, ‘even non-Marxists saw merit in the view that fascism had been a tool in the hands of capitalists to preserve their power’,<sup>66</sup> with the rich especially fearful of the outcomes that post-war democracies would otherwise produce. In the surviving democracies (most prominently France and the UK), left-wing politicians and trade unionists chafed against the structural power of capital, reinforced by the restored Gold Standard, or decried its destructive potential, particularly after the Great Depression had set in.

Despite the changes wrought by World War I, the core of nineteenth century incompatibility narratives thus remained credible well into the twentieth century. As late as 1942, Schumpeter wrote ‘no responsible person can view with equanimity the consequences of extending the democratic method, that is to say the sphere of “politics,” to all economic affairs’.<sup>67</sup> ‘[C]apitalist society qualifies for the task of working the democratic method’ only if it ‘limits the sphere of politics by limiting the sphere of public authority’.<sup>68</sup> Without such pre-political limits, he implied, the two principles of social order could not coexist.

Indeed, one of the most-cited incompatibility accounts—though not always recognised as such—was advanced well *after* the end of World War II. Although methodologically individualist, i.e. ignoring (unlike many of its predecessors) classes as political actors, Anthony Downs’ 1957 median voter model can be read as the last major contribution within this tradition.<sup>69</sup> Naturalising capitalism as ‘the normal operation of the economy’, Downs concluded that, ‘because the free market produces a highly unequal distribution of income, the more effective democracy becomes politically, the greater is government interference with the normal operation of the economy’.<sup>70</sup>

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<sup>66</sup> Müller, *Contesting Democracy*, p. 127.

<sup>67</sup> J.A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: HarperCollins, 1942), p. 299.

<sup>68</sup> Schumpeter, *Capitalism, Socialism, and Democracy*, p. 297.

<sup>69</sup> A. Downs, *An Economic Theory of Democracy* (New York: Harper & Row, 1957).

<sup>70</sup> Downs, *An Economic Theory*, p. 202.

Writing more than a decade after World War II, Downs recognised that democracy and capitalism coexisted. Yet, like others who had offered incompatibility accounts before him, he added auxiliary hypotheses rather than revising the incompatibility core of his theory. Where Mill and Marx had seen disorganisation and Pareto exceptional growth, Downs saw uncertainty and imperfect information as explanations for the—in his model counterintuitive—observed compatibility between democracy and capitalism:

Uncertainty and costliness of information redistribute political power so as to offset the economic levelling tendency of democracy ... The greater the degree of uncertainty in politics, the more likely government is to be smaller—in terms of actions and size—than it would be in a perfectly informed democracy.<sup>71</sup>

In the absence of uncertainty and poor information, democratic governments would override free market outcomes and enforce instead the more equal property distribution preferred by the median voter.

This reading, continuous with the nineteenth century narratives identified earlier, was not, however, the only one that characterised the inter-war period. Perhaps more so than the tidy contradiction between poor, socialist masses and rich, pro-fascist or authoritarian capitalists, other contemporary observers diagnosed mass mobilisation, social dislocation, and a rejection of *belle époque*, liberal-bourgeois attitudes and institutions as the drivers of post-war instability. In this new context, precipitated by World War I but rooted in pre-war trends, authors like Polanyi or Schmitt diagnosed capitalism and parliamentary democracy as incapacitated, because incompatible with the demands of this new era.

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<sup>71</sup> Ibid.

As with the incompatibility narrative in the nineteenth century, this turn away from rationalist, interest-based interpretations could be seen across political divides. George Sorel, whose pre-war, anti-capitalist writings had emphasised the importance of myth and violence to politics and civilization,<sup>72</sup> became a reference shared by fascists and socialists alike.<sup>73</sup> A variety of figures, including Benito Mussolini in Italy, Oswald Mosley in the UK, Henri de Man in Belgium, and Huey Long in the US, moved fluidly between fascism and socialism, all the while maintaining that neither liberal parliamentarism nor free-market capitalism were what the people really wanted.

If Sorel's thought and its embrace by both fascists and socialists instantiated the spirit of this moment, then Karl Polanyi and Carl Schmitt emerged as some of its most astute analysts. With different emphases, both argued that the liberal separation between polity and economy did not and could not survive the entry of the masses into politics. Schmitt emphasised that in a democratic age, '[a]ll other institutions transform themselves into insubstantial social-technical expedients which are not in a position to oppose the will of the people'.<sup>74</sup> This challenged the separation between polity and economy: '[s]tate and politics cannot be exterminated ... what has occurred is that economics has become political'.<sup>75</sup> Polanyi observed that a 'self-regulating market demands nothing less than the institutional separation of society into an economic and a political sphere'.<sup>76</sup> But '[t]o allow the market mechanism to be sole

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<sup>72</sup> G. Sorel, *Reflections on Violence*, ed. J. Jennings, trans. J. Jennings and T.E. Hulme (Cambridge: Cambridge University Press, 1999).

<sup>73</sup> Ten years after Sorel's death, both Mussolini's Italy and Stalin's USSR inquired whether his family would accept the donation of a new monument to be installed at his grave. Müller, *Contesting Democracy*, p. 100.

<sup>74</sup> Schmitt, *Crisis*, p. 16.

<sup>75</sup> C. Schmitt, *The Concept of the Political*, trans. Georg Schwab (Chicago: University of Chicago Press, 1996), p. 78; see also R. Bellamy and P. Baehr, 'Carl Schmitt and the Contradictions of Liberal Democracy', *European Journal of Political Research*, 23.2 (1993), pp. 163–85.

<sup>76</sup> K. Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (New York: Rinehart & Co., 1944), p. 71.

director of the fate of human beings and their natural environment ... would result in the demolition of society'.<sup>77</sup> Together with the movement for self-regulating markets and a liberal politics to encase them hence emerged a self-protective counter-movement, aiming at the conservation of humanity, nature, and society.<sup>78</sup>

Both Schmitt and Polanyi thus saw the post-war attempt to (re)build a social order around liberal parliamentary democracy, domestic laissez-faire, and the international Gold Standard as doomed to fail. But in their view the problem was not, as most nineteenth century theorists had feared, that the people, once admitted to politics, would speak with a single, anti-capitalist voice. 'Nineteenth century civilization was not destroyed by ... the revolt of a socialist proletariat or a fascist lower middle class', Polanyi observed.<sup>79</sup> '*In concreto* the masses are sociologically and psychologically heterogeneous', Schmitt added.<sup>80</sup> Nor was the problem that World War I had wrenched the pre-war, liberal settlement from an otherwise promising trajectory. '[Nineteenth century civilization's] vitality was not sapped by the devastation of World War I'.<sup>81</sup> Even 'if Bolshevism is suppressed and Fascism held at bay, the crisis of contemporary parliamentarism would not be overcome in the least'.<sup>82</sup>

Instead, the reason that the post-war settlement failed, according to Schmitt and Polanyi, was that attempts to cleave a self-regulating economy off from politics (Polanyi) or to depoliticize politics itself (Schmitt) led to an endogenously generated pushback, which impaired the functioning of both politics and the economy.<sup>83</sup> This incapacitation, situated on

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<sup>77</sup> Polanyi, *Great Transformation*, p. 73.

<sup>78</sup> Polanyi, *Great Transformation*, p. 132.

<sup>79</sup> Polanyi, *Great Transformation*, p. 249.

<sup>80</sup> Schmitt, *Crisis*, p. 25, italics original.

<sup>81</sup> Polanyi, *Great Transformation*, p. 249.

<sup>82</sup> Schmitt, *Crisis*, p. 17.

<sup>83</sup> See esp. Polanyi, *Great Transformation*, chap. 17.



top of a volatile, combustible, no longer deferential mass society, created precisely the conditions under which anti-market *and* anti-parliamentary political movements could succeed. Capitalism and parliamentary democracy, on this reading, were too rationalist, depoliticised, and depoliticising to cope with an age of mass politics. This condemned them to incapacity and ultimately incompatibility with the demands of the times.

In line with the politically charged atmosphere of this moment, there was intense contestation around the appropriate conception of core concepts themselves. Against the view that parliamentary government, when based on a wide suffrage, was a particular type of democracy,<sup>84</sup> Schmitt drew a distinction between parliamentarism on the one hand, democracy on the other. In Schmitt's reading, parliamentarism represented the search for truth through public discussion, while democracy was defined by an 'identity of governed and governing' and an 'identity between law and the people's will'.<sup>85</sup> These two need not and, in Schmitt's view, often did not coincide—whence the *Crisis of Parliamentary Democracy*. This conception was shared by certain fascists: Giovanni Gentile, an Italian Hegelian who became an ardent supporter and collaborator of Mussolini's regime, claimed 'the Fascist State . . . is a people's state, and, as such, the democratic state *par excellence*'.<sup>86</sup> This reading of democracy was controversial: Schumpeter, for example, argued that 'the people's will' had no clear meaning, and that democracy could therefore only refer to the selection of 'a government, or else an intermediate body which in turn will produce a national executive'.<sup>87</sup>

On either definition, however, the relationship between democracy, capitalism, and mass politics emerged as troubled: where Schumpeter observed the old conflict between rich

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<sup>84</sup> For the gradual rise of this view across the nineteenth and twentieth centuries, see B. Manin, *The Principles of Representative Government* (Cambridge: Cambridge University Press, 1997).

<sup>85</sup> Schmitt, *Crisis*, pp. 14, 26.

<sup>86</sup> Müller, *Contesting Democracy*, pp. 106, italics original.

<sup>87</sup> Schumpeter, *Capitalism, Socialism, and Democracy*, chaps. XXI and XXII, here p. 269.

and poor, necessitating the fencing off of economic questions from the remit of competitive electoral politics, Schmitt and Polanyi diagnosed an incapacity in parliamentary government and self-regulating markets, creating an incompatibility not so much between parliamentary democracy and capitalism, but between the two and the demands of this new age. Despite the wave of democratisation in the immediate aftermath of World War I, and despite the failure of the Russian Revolution to spread westward, the inter-war period thus remained a time of scepticism vis-à-vis the viability and internal cohesion of democratic capitalism.

#### D. The Golden Age challenge to incompatibility

This doubt persisted into the immediate aftermath of World War II. The late nineteen forties, characterised by large-scale nationalisations, widespread socialist and communist electoral success, Mao's victory in the Chinese Civil War, and rapidly intensifying great power competition, represented too much continuity with pre-war conditions for incompatibility narratives to be displaced right away.<sup>88</sup> From the nineteen fifties on, however, the growing strength and stability of democratic capitalism posed a greater and greater challenge for incompatibility accounts. 'The Golden Age of Capitalism'<sup>89</sup> bloomed, productivity and real wages increased across the board, wealth and income inequality decreased. At the same time, '[i]f ever there was a *democratic* success story, it was written by the Trilateral societies [Japan, North America, and Western Europe] during the quarter-century following World War II'.<sup>90</sup> Women's suffrage was introduced in France in 1944, in Italy in 1945, and in Japan in 1946. In the US, '[b]etween the late 1950s and the early 1970s [...] nearly all formal restrictions on the

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<sup>88</sup> T. Judt, *Postwar: A History of Europe since 1945* (London: Penguin, 2005), part one, and pp. 241-2 for summary statement.

<sup>89</sup> S. Marglin and J. Schor, *The Golden Age of Capitalism: Reinterpreting the Postwar Experience* (Oxford: Oxford University Press, 1990).

<sup>90</sup> M. Crozier, S. Huntington, and J. Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press, 1975), p. 157, italics added.

suffrage rights of adult citizens were swept away, and the federal government assumed responsibility for protecting and guaranteeing those rights'.<sup>91</sup>

Seen through the lens of earlier incompatibility narratives, this simultaneous flowering of both democracy and capitalism constituted a profound puzzle. In the Marxist tradition, Antonio Gramsci was the first to tackle it in earnest. He observed that, unlike under feudalism, under democratic capitalism the consent of the masses to political authority coexisted with the conscious belief that they, in virtue of popular sovereignty and majority rule, held ultimate authority.<sup>92</sup> This was surprising to Gramsci because he held—in line with the earlier incompatibility accounts charted above—that if the masses *actually* held this authority, then, in awareness of their own interests, they would socialise the means of production and overthrow capitalism. Their apparent consent to democratic capitalism therefore puzzled him: *this* consent (unlike the consent of the exploited under feudalism) avowed belief in political equality—i.e. the empowerment of the masses—and yet the expected *manifestation* of this belief—the overthrow of capitalism—remained absent.

Gramsci's response, and in his wake that of much of the Marxist tradition, was to hold fast to the incompatibility thesis, and to argue that the regimes of Italy and other industrialized capitalist states were characterised by a sophisticated form of elite rule. The ruling classes, an amalgam of economic, state, religious, and other elites, purchased and produced the consent of their populations through ideological hegemony,<sup>93</sup> 'repressive tolerance' and the promotion of

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<sup>91</sup> Keyssar, *The Right to Vote*, p. 205.

<sup>92</sup> P. Anderson, 'The Antinomies of Antonio Gramsci', *New Left Review*, 100 (1976), pp. 5–78, p. 30.

<sup>93</sup> A. Gramsci, *Selections from the Prison Notebooks*, ed. Q. Hoare and G. Nowell-Smith (New York: International Publishers, 1971); P. Anderson, 'Problems of Socialist Strategy', in *Towards Socialism*, ed. P. Anderson and R. Blackburn (London: Collins, 1965); S. Hall, *The Hard Road to Renewal: Thatcherism and the Crisis of the Left* (London: Verso, 1988); S. Hall and A. O'Shea, 'Common-Sense Neoliberalism' *Soundings*, 4.55 (2013), pp. 8–24.

consumerism,<sup>94</sup> a ‘culture industry’,<sup>95</sup> as well as political and other strategies to divide the many amongst themselves.<sup>96</sup> For these authors, the incompatibility between capitalism and a fuller form of democracy—in which the masses were liberated from the ideological and coercive tutelage of the ruling classes—remained a fact, as did the capitalist nature of Western societies. Their apparently democratic nature, on the other hand, was seen as deceiving, for it disguised the manifold ways in which capitalists and other members of the ruling class limited and constrained both the formation and the expression of popular political will. This line of argument never completely disappeared—traces of it continue to be visible, for example, in the political writings of Noam Chomsky<sup>97</sup>—but during and after the post-WWII ‘Golden Age’ it remained a minority-, if punctually influential, view.

A second attempt at resolution, advanced by Hayek and other Geneva-school neoliberals, also held fast to the incompatibility thesis.<sup>98</sup> For the authors of this tradition, however, it was democracy that had compromised capitalism in the post-war settlement, rather than the other way around. Both a non-negotiable division between economy and polity and the insulation of the price mechanism from political intervention were essential elements of Hayekian economic liberalism,<sup>99</sup> but both, Hayek argued, were called into question wherever popular sovereignty reigns. Despite the apparent coexistence of capitalism and democracy in the post-WWII era, Hayek thus concluded that capitalism was under grave threat: ‘All

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<sup>94</sup> H. Marcuse, *One-Dimensional Man* (Boston: Beacon Press, 1964).

<sup>95</sup> T. Adorno and M. Horkheimer, *Dialectic of Enlightenment: Philosophical Fragments*, ed. G. Schmid-Noerr (Stanford: Stanford University Press, 2002).

<sup>96</sup> S. Bowles and H. Gintis, *Democracy and Capitalism* (New York: Basic Books, 1986).

<sup>97</sup> For example: ‘Americans may be encouraged to vote, but not to participate more meaningfully in the political arena. [...] The population has been carefully excluded from political activity, and not by accident’, N. Chomsky, ‘The Disconnect in US Democracy’, *Khaleej Times* (Dubai, 29 October 2004).

<sup>98</sup> Q. Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, MA: Harvard University Press, 2018), pp. 2, 7–8.

<sup>99</sup> F.A. Hayek, *Social Justice, Socialism and Democracy* (Sidney: Centre for Independent Studies, 1979), chap. 1.

democracy that we know today in the West is more or less unlimited democracy’,<sup>100</sup> and (echoing Downs) ‘unlimited democracy is bound to become egalitarian’.<sup>101</sup> As a result, the only way to make democracy safe for economic liberalism, in Hayek’s view, was to add counter-majoritarian elements, turning it into ‘limited democracy’ or ‘demarchy’.<sup>102</sup> Where this was not immediately possible, an authoritarian, market-liberal regime was Hayek’s preferred transitional arrangement, as demonstrated by his support for the dictatorships of Jorge Rafael Videla in Argentina and Augusto Pinochet in Chile.<sup>103</sup>

Like the Marxist response—and highlighting once more the contestation of the concepts at stake—this family of accounts was characterised by a peculiar use of the word ‘democratic’. Hayek referred to the regime form constituted by popular sovereignty and majority rule as ‘*unlimited* democracy’,<sup>104</sup> reserving democracy simpliciter for what Aristotle would have called a mixed regime, or the *Federalist Papers* a republic, i.e. a regime with significant counter-majoritarian elements.

In making these arguments, Hayek explicitly referenced some of the nineteenth century incompatibility accounts summarised above: ‘[w]hat is happening is indeed precisely that which some had apprehended concerning democracy in the nineteenth century. A wholesome

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<sup>100</sup> Hayek, *Social Justice, Socialism and Democracy*, p. 34.

<sup>101</sup> Hayek, *Social Justice, Socialism and Democracy*, p. 39; see also Hayek, *The Road to Serfdom*, chap. 5.

<sup>102</sup> F.A. Hayek, *Law, Legislation and Liberty. Volume 3: The Political Order of a Free People* (Chicago: University of Chicago Press, 1981), esp. chaps. 12 and 17.

<sup>103</sup> B. Filip, ‘Hayek on Limited Democracy, Dictatorships, and the “Free” Market: An Interview in Argentina, 1977’, in *Hayek: A Collaborative Biography. Part XIII: ‘Fascism’ and Liberalism in the (Austrian) Classical Tradition* (London: Palgrave Macmillan, 2018), pp. 395–422; S. Irving, ‘Limiting Democracy and Framing the Economy: Hayek, Schmitt and Ordoliberalism’, *History of European Ideas*, 44.1 (2018), pp. 113–27; A. Farrant, E. Mcphail, and S. Berger, ‘Preventing the “Abuses” of Democracy: Hayek, the “Military Usurper” and Transitional Dictatorship in Chile?’, *American Journal of Economics and Sociology*, 71.3 (2012), pp. 513–38.

<sup>104</sup> Hayek, *Social Justice, Socialism and Democracy*, pp. 34–36.

method of arriving at widely acceptable political decisions has become the pretext for enforcing substantially egalitarian aims'.<sup>105</sup>

Hayek was not alone in making this argument. Asking 'Why Have the Socialists Been Winning?', fellow member of the Mont Pèlerin Society George Stigler answered 'the large and growing role of government has been what the public as a whole has wanted: democratic majority rule likes what we have been doing'.<sup>106</sup> Stigler added: 'Do we not then face the hard choice between becoming collectivists and becoming non-democratic in our desired political institutions?'<sup>107</sup>

Nor was this position held only by neoliberal thinkers. John Hall, a left-leaning sociologist, claimed that 'inside Western societies, capitalism is dead—that is ... the separation of the economy from the power of politicians is now no longer feasible'.<sup>108</sup> Samuel Bowles and Herbert Gintis, two left-leaning economists, wrote in a similar vein: 'By giving citizens the power to encroach upon the capacity of capital to invest profitably and to discipline its labor force, democratic institutions challenged the basic operations of the capitalist economy'.<sup>109</sup>

However, few outside the then-isolated Mont Pèlerin Society endorsed the hard core of Hayek's position: an *inevitable* clash between democracy and economic liberalism. Indeed, perhaps indicative of a gulf between European, Geneva School pessimism and American, Chicago School hope, even prominent neoliberals like Milton Friedman disagreed with Hayek's gloomy narrative. Friedman, to be sure, questioned the merits and consequences of

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<sup>105</sup> Hayek, *Social Justice, Socialism and Democracy*, p. 33.

<sup>106</sup> G.J. Stigler, 'Why Have the Socialists Been Winning?', *Ordo. Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*, 30 (1979), pp. 61–68, p. 66.

<sup>107</sup> Stigler, 'Why Have the Socialists Been Winning?', p. 66.

<sup>108</sup> J. Hall, 'The Conscious Relegitimation of Liberal Capitalism', in *Dilemmas of Liberal Democracies*, ed. A. Ellis and K. Kumar (London: Tavistock, 1983), p. 76.

<sup>109</sup> Bowles and Gintis, *Democracy and Capitalism*, p. 5.

electoral democracy,<sup>110</sup> frequently stressing that ‘the scope of government must be limited’.<sup>111</sup> Nevertheless, neither in *Capitalism and Freedom* nor in *Free to Choose* did he argue for an inevitable conflict between capitalism and democracy. Instead, in a more optimistic vein, he pointed out that ‘[o]ur society is what we make it’.<sup>112</sup> The view that ‘unlimited democracy’ was *bound* to eliminate capitalists’ freedom to choose prices, quantities, production technologies, and their employees, remained a minority view in the nineteen fifties and sixties, much like post-WWII Marxist incompatibility accounts.

#### **E. The cluster hangs together: capitalism and democracy as partners in modernity**

Instead of the Marxist and the Hayekian response, it was a third answer to the puzzle that became hegemonic in the second half of the twentieth century: Modernization Theory. In many ways the boldest approach, this family of accounts disputed neither the democratic nor the capitalist nature of the industrialized West. Rather, it disputed the core of most previous accounts: the alleged incompatibility between the two. In this view, capitalism and democracy were two compatible—perhaps even mutually reinforcing—parts of the same social order, namely Western modernity.

The first premise that led up to this frontal challenge was: Modernity is a monolith.<sup>113</sup> Rationalization, urbanization, industrialization; the moves from faith to science, from status to contract, from empire to nation; the growth of literacy, life expectancy, production, and trade; the emergence of large bureaucracies, of mass politics, and the spread of democracy; in

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<sup>110</sup> Slobodian, *Globalists*, p. 179; concerning Friedman’s views on democracy, see also his positive take on colonial Hong Kong, e.g. M. Friedman and R. Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt, Brace, Jovanovich, 1980), p. 34.

<sup>111</sup> M. Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 2.

<sup>112</sup> Friedman and Friedman, *Free to Choose*, p. 37; see also Friedman, *Capitalism and Freedom*, p. 202 for a more optimistic take than Hayek’s on the future evolution of democratic capitalism.

<sup>113</sup> N. Gilman, *Mandarins of the Future. Modernization Theory in Cold War America*. (Baltimore: Johns Hopkins University Press, 2004), p. 142.

Modernization Theory, all these were re-conceived as forming a single, integrated, epoch-making whole: (western) Modernity. ‘Men may question’, one of its leading proponents wrote, ‘whether any aspect of this interrelated cluster ... is primary, but the fact remains that *the cluster does hang together*’.<sup>114</sup>

The second core premise was that economic growth would by itself lead to greater economic equality, without the need for political intervention. This harkened back to older arguments articulated by Locke and Smith, according to which a turn to commercial society would ultimately redound to the benefit of all, including the poorest.<sup>115</sup> In the post-war context, however, this premise drew most of its credibility from Simon Kuznets’ work on twentieth century growth and inequality in the United States.<sup>116</sup>

Kuznets argued that, after *rising* in the early stages of industrialization, the inequality of market outcomes would naturally *fall* as industrialization proceeded further. This could be expected from the ordinary operation of a capitalist economy: in the early stages of industrialization, a mass of under-employed agricultural labour faces a small stock of industrial capital; capital is scarce and valuable, labour abundant and cheap, wages fall, inequality rises. Over time, as more and more workers are absorbed into manufacturing, and as industrialists build up larger and larger capital stocks, it is labour that becomes scarce, capital that becomes abundant, and so wages rise and inequality falls. Kuznets underpinned this theoretical argument with data on the US income distribution, which indeed displayed an ‘inverse-U’ pattern—inequality rising then falling—at the time of his writing.

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<sup>114</sup> S.M. Lipset, *Political Man: The Social Bases of Politics*, 2nd edn (Baltimore: Johns Hopkins University Press, 1981), pp. 57–58, italics added; see also W.W. Rostow, *Politics and the Stages of Growth* (Cambridge: Cambridge University Press, 1971), chaps. 3 and 4.

<sup>115</sup> J. Locke, *Two Treatises of Government*, ed. I. Shapiro (New Haven: Yale University Press, 2003), book II, ch. V; Smith, *Wealth of Nations*, book I, chap. I, esp. pp. 22–4.

<sup>116</sup> S. Kuznets, ‘Economic Growth and Income Inequality’, *American Economic Review*, 45.1 (1955), pp. 1–28; Simon Kuznets, ‘Quantitative Aspects of the Economic Growth of Nations: II. Industrial Distribution of National Product and Labor Force’, *Economic Development and Cultural Change*, 5.4 (1957), pp. 1–111.



Kuznets' arguments were attractive for multiple reasons. In a Cold War context, they implied that capitalism would deliver both prosperity *and* equity, if only given sufficient time. This was an advantageous narrative for US foreign policy to be able to tell. Domestically, a belief in Kuznets' arguments was conducive towards bi-partisan consensus, in particular around a 'politics of productivity',<sup>117</sup> which promised to overcome the contentious politics of the inter-war period. The influence of his work was reflected in Kuznet's election as president of the American Statistical Association in 1949, president of the American Economic Association in 1954, and in the award of the third Swedish Central Bank Prize in Economic Sciences in 1971, after Paul Samuelson and before Kenneth Arrow.

It was on this basis that Lipset and others could assert 'the distribution of consumption goods ... tends to become more equitable as the size of national income increases'.<sup>118</sup> Implicitly harking back to Tocqueville,<sup>119</sup> this assertion denied one of the key premises shared by most incompatibility narratives: that under capitalism the masses are poor and hence desire the expropriation of the rich. Kuznets' work thus gave a straightforward reason for seeing capitalism as compatible with democracy: if the great majority were doing well in a market distribution of income, then universal suffrage need not lead to expropriation, at least in advanced industrialized countries on the second half of the Kuznets curve.<sup>120</sup> And indeed, the

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<sup>117</sup> C.S. Maier, 'The Politics of Productivity: Foundations of American International Economic Policy after World War II', *International Organization*, 31.4 (1977), pp. 607–33.

<sup>118</sup> Lipset, *Political Man*, p. 50.

<sup>119</sup> Tocqueville, *Democracy in America*, vol. IV, part III, chap. 20. Tocqueville here points out that the wide and reasonably equal distribution of property stabilises American democracy: 'An innumerable multitude of almost similar men ... without being precisely rich or poor, possess enough property to desire order, and do not have enough property to arouse envy', p. 1136.

<sup>120</sup> This, incidentally, helps to explain why Piketty's work has been so influential. By disproving Kuznets' theory, it directly undermined one of the key premises of compatibility arguments concerning democracy and capitalism. See D.S. Grewal, 'The Laws of Capitalism', *Harvard Law Review*, 128 (2014), pp. 626–67, esp. pp. 630–32; D.S. Grewal and J. Purdy, 'Inequality Rediscovered', *Theoretical Inquiries in Law*, 18.1 (2017), pp. 61–82, esp. pp. 64–67.

nineteen fifties and sixties saw a plethora of books arguing different versions of the claim that affluence had solved the conflict between capital and labour.<sup>121</sup>

The onset of the Cold War supported the rise of Modernization Theory's partnership narrative in a further way. As fascism and communism were cast as variants of the same social order—totalitarianism<sup>122</sup>—democratic capitalism became understood as its polar opposite. Just as dictatorship and a planned economy summed up to a totalitarian system of oppression, so free markets and free elections could now appear as the components of a single system opposed to totalitarianism: democratic capitalism.

Seen through this lens, democracy and capitalism no longer seemed incompatible. Against nineteenth and early-twentieth incompatibility accounts, as well as the Marxist and Hayekian answers to the Golden Age puzzle, Modernization Theory saw capitalism and democracy as parts of a 'cluster that hung together'. Since both were essential components of modernity, since capitalism would over time ensure the prosperity of the masses, and since both democracy and capitalism were opposed to totalitarianism, they were understood as compatible and, insofar as Kuznets ('growth leads to equality') and Lipset ('the cluster hung together') were right, even as partners in modernity.<sup>123</sup> Except for atypical societies temporarily diverted by special obstacles, 'the universal sociohistorical phenomenon of industrial development would lead to a postideological democratization the world over'.<sup>124</sup> This 'postideological democratization' would be compatible with capitalism not just because, on the

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<sup>121</sup> E.g. J.K. Galbraith, *The Affluent Society* (Boston: Houghton Mifflin, 1958); J.K. Galbraith, *The New Industrial State* (Boston: Houghton Mifflin, 1967); D. Bell, *The End of Ideology* (New York: Collier, 1960); R. Theobald, *The Challenge of Abundance* (New York: C.N. Potter, 1961); G. Myrdal, *Challenge to Affluence* (New York: Pantheon Books, 1963).

<sup>122</sup> Hayek, *The Road to Serfdom*; H. Arendt, *The Origins of Totalitarianism* (New York: Harcourt, Brace, Jovanovich, 1951).

<sup>123</sup> See also B. Moore's seminal *Social Origins of Democracy and Dictatorship Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1966) and P.L. Berger, *The Capitalist Revolution* (New York: Basic Books, 1986).

<sup>124</sup> Gilman, *Mandarins of the Future*, p. 61.

second half of the Kuznets curve, inequality would fall without need for political intervention, but also because in the paradigmatic case of a modern society, the United States, democracy and capitalism were *already* seen to coexist well.<sup>125</sup> This developmental-teleological claim was progressively qualified over time,<sup>126</sup> but it remained an important theme until the end of the twentieth century.<sup>127</sup>

#### F. The Soviet challenge: Red Modernity and the threat of burial

The claim that democratic capitalism is a, and perhaps even *the*, viable social order of modernity became the reigning paradigm in US academia early in the Cold War.<sup>128</sup> However, as with the incompatibility narrative and the rise of manhood suffrage, here, too, counterexamples emerged that theorists had to account for.

Right-wing authoritarian or totalitarian regimes, such as pre-1945 Germany or Japan, were absorbed as deviations from a regular path, explained by ‘unique historical factors’. Concerning Germany, for example, Lipset stated:

a political form may develop because of a syndrome of unique historical factors even though the society’s major characteristics favor another form. Germany is an example of a nation where growing industrialization, urbanization, wealth, and education favoured the establishment of a democratic system, but in which a series of adverse

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<sup>125</sup> Gilman, *Mandarins of the Future*, p. 66.

<sup>126</sup> More space was accorded, in particular, to national differences: ‘That the political life which emerges from the cauldron of our times in the developing world may differ from the particular forms of democracy we know in the Atlantic world, I have no doubt. But, equally, I have no doubt that the men and women of these nations will fashion, in time—in their own way—democracies that evidently belong in the political family we now easily recognize’, Rostow, *Politics and the Stages of Growth*, p. 301.

<sup>127</sup> E.g. L.W. Pye, ‘Political Science and the Crisis of Authoritarianism’, *American Political Science Review*, 84.1 (1990), pp. 3–19; *Capitalist Development and Democracy*, ed. D. Rueschemeyer, E. Huber Stephens, and J.D. Stephens (Chicago: University of Chicago Press, 1992); A. Przeworski and others, *Democracy and Development: Political Institutions and Well-Being in the World, 1950-90* (Cambridge: Cambridge University Press, 2000).

<sup>128</sup> Gilman, *Mandarins of the Future*, chap. 2.

historical events prevented democracy from securing legitimacy and thus weakened its ability to withstand crisis.<sup>129</sup>

Note the medical term ‘syndrome’ in Lipset’s description, implying a negatively charged deviation from a normal, regular path of development. Importantly, given that Germany’s deviation from the ‘healthy’ path of development could be explained by ‘unique historical factors’, i.e. idiosyncratic features peculiar to the German case, no deeper theoretical adjustment was necessary.

A complementary, historically more detailed account was given by Barrington Moore.<sup>130</sup> In Moore’s work, early-modern coalition dynamics between aristocracy, crown, the urban (proto-) bourgeoisie, and farmers and peasants influenced whether a country would develop towards democratic capitalism, fascist capitalism, or communism. Greatly simplified, ‘[n]o bourgeois [sic], no democracy’.<sup>131</sup> Insofar as the rise of capitalism went hand in hand with a rising bourgeoisie, however, here too no deeper theoretical adjustment was necessitated by fascist and far-right capitalist regimes. ‘Germany and, even more, Japan were trying to solve a problem that was inherently insoluble, to modernize without changing their social structures’.<sup>132</sup> A modern social structure with a strong bourgeoisie, in contrast, would eventually democratise.

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<sup>129</sup> Lipset, *Political Man*, p. 28, italics added. In making this argument, Lipset prefigured a large and influential historiography that emphasized and sought to explain a ‘German Sonderweg’ to democratic capitalism. E.g. F. Fischer, *Griff Nach Der Weltmacht: Die Kriegsziele Des Kaiserlichen Deutschland, 1914-1918* (Düsseldorf: Droste Verlag, 1961); J. Kocka, ‘German History before Hitler: The Debate about the German Sonderweg’, *Journal of Contemporary History*, 23.1 (1988), pp. 3–16; I. Kershaw, *The Nazi Dictatorship: Problems and Perspectives of Interpretation* (London: Edward Arnold, 2000); R.J. Evans, *The Coming of the Third Reich* (London: Penguin, 2004).

<sup>130</sup> Moore, *Social Origins*.

<sup>131</sup> Moore, *Social Origins*, p. 418.

<sup>132</sup> Moore, *Social Origins*, p. 442.

The Soviet Union and the Communist World, however, posed a deeper problem: an apparently coherent, yet undeniably modern alternative to democratic capitalism, not reducible to idiosyncratic features or events, nor trying to preserve an inherently unpreservable pre-modern social structure. Rostow made this link—between the growth of the Communist world and doubt concerning the monolithic, democratic-capitalist nature of modernity—explicit:

In the midst of war and postwar chaos, mainland China fell, like Russia in 1917, under Communist grip; the postwar dispensation left power in Europe and Asia closely balanced between Communist and non-Communist worlds. A Castro appeared in Latin America ... By, say, 1960, it was not unreasonable for men to question whether democracy was to be the natural outcome of modernization in the twentieth century.<sup>133</sup>

If it was possible to construct an industrial economy and a continental-scale transport system, to defeat the Wehrmacht, to build nuclear bombs and send satellites into space, to provide universal if rudimentary health care, housing, child care and education, and to do all this in the absence of democracy and the absence of capitalism, then perhaps modernity did not point towards a uniform democratic capitalist social order after all. Perhaps there was a Red Modernity, rival and potentially superior to democratic capitalism. It was in this vein, with post-war reconstruction complete and extensive growth proceeding apace,<sup>134</sup> that Nikita

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<sup>133</sup> Rostow, *Politics and the Stages of Growth*, pp. 267–68. Huntington, although not a Modernization theorist in the teleological sense, also observed that Soviet communism constituted an equally, perhaps even more, modern social order compared to that of the United States, in the specific sense of being able to bring political order to modernizing societies. S. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968), p. 8.

<sup>134</sup> From 1951 to 1973, per capita GDP grew at an annual rate of 4.0% in Eastern Europe (4.7% for total GDP) and 3.6% in the Soviet Union (5% for total GDP), compared to 2.2% in the USA (3.7% for total GDP) International Monetary Fund, *World Economic Outlook* (Washington, D.C., 1990), table 18, p. 65. F. Spufford's *Red Plenty* (Minneapolis: Graywolf Press, 2010) gives a semi-fictional but insightful account of the Soviet hope to overtake the West during the nineteen fifties and early sixties, as well as of the disillusionment that followed.

Khrushchev told a room full of Western ambassadors: ‘whether you like it or not, history is on our side. We will bury you’.<sup>135</sup>

At the time, this threat of burial was taken seriously. In 1960, British Prime Minister Harold Macmillan maintained that ‘[t]hey [the Soviet Union] have a buoyant economy and will soon outmatch capitalist society in the race for material wealth’.<sup>136</sup> The best-selling economics textbook of the era, Paul Samuelson’s *Economics*, concurred, predicting Soviet GDP to overtake US GDP sometime between 1984 and 1997.<sup>137</sup>

If the West fell behind the Soviet Bloc, as seemed possible at the time, the partnership claim of Modernization Theory—that, against what nineteenth century incompatibility narratives had claimed, democracy and capitalism could fit together and might even support each other—stood at risk of slipping into irrelevance. Regardless of its internal coherence, if it could not compete geopolitically with state socialism, then, perhaps like the city states of the Renaissance,<sup>138</sup> democratic capitalism would eventually fail to be a viable social order in the face of Red Modernity.

By the nineteen seventies, however, the Moon Landing, the settled directions of illicit flows, and the superior performance of Western economies provided sufficient confidence that the West could durably compete with the East. Quantitatively, Western industrial productivity exceeded that of the East by a factor of two to three.<sup>139</sup> Qualitatively, myriad anecdotes as well as contemporary trade patterns attested to the superiority of Western over Eastern products and services.

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<sup>135</sup> W. Taubman, *Khrushchev: The Man and His Era* (New York: The Free Press, 2003), p. 427.

<sup>136</sup> Judt, *Postwar*, p. 248.

<sup>137</sup> D.M. Levy and S.J. Peart, ‘Soviet Growth and American Textbooks: An Endogenous Past’, *Journal of Economic Behavior and Organization*, 78.1–2 (2011), pp. 110–25, p. 115.

<sup>138</sup> H. Spruyt, *The Sovereign State and Its Competitors* (Princeton: Princeton University Press, 1994).

<sup>139</sup> J. Kornai, *The Socialist System: The Political Economy of Communism* (Oxford: Oxford University Press, 1992), p. 293.

By the nineteen seventies, then, it was clear that democratic capitalism would not succumb to Red Modernity. While the continued existence of the USSR remained a challenge for the single-track, teleological view of history implicit in early Modernization Theory, once it became clear that the Soviet economy would not ‘bury’ the West, it no longer undermined Modernization Theory’s claim that democratic capitalism was *a* viable social order, that capitalism and democracy could be durable partners in Western modernity.

### **G. The internal challenge: legitimization crisis**

Just as the Soviet, external challenge to Modernization Theory receded, however, a new, internal challenge emerged. In the nineteen seventies, faced with the end of the post-war boom, the 1973 and 1979 oil shocks, the Vietnam War, and the denouement of the end of empire, the democratic capitalist regimes of the West went through a deep and prolonged legitimization crisis.

This crisis was reflected in, among other things, an upsurge in student and political activism (often inspired by Maoism and contemporary anti-colonial revolutions in Africa, Asia, and Latin America), the largest strike waves since the end of WWII, a series of new social movements, and a sharp increase in political terrorism.<sup>140</sup> In the US, beside Watergate and widespread anti-war protests, feminism and environmentalism brought millions into the streets, the Civil Rights movement turned towards armed struggle, and a wave of prison revolts washed over the country. In the UK, amidst rising inflation and intense industrial conflict, the Conservative government called an election and ran on the slogan ‘Who governs Britain?’ This was a direct challenge to trade unions and anti-government protesters. The government lost the election. In West Germany, within six months the Attorney General, the CEO of one of Germany’s biggest banks, and the head of the Federation of German Industries were

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<sup>140</sup> A. Glyn, *Capitalism Unleashed* (Oxford: Oxford University Press, 2006); Judt, *Postwar*, pp. 467–77.

assassinated. At the same time, a Lufthansa plane was abducted, kept hostage, and flown around the Mediterranean and the Middle East for four days.<sup>141</sup> Italy entered its Years of Lead, replete with strikes, riots, shootings, and bombings. ‘That democracy and the rule of law ... survived these years is a matter of no small note’.<sup>142</sup>

Unlike the Soviet challenge, the legitimization crisis of the nineteen seventies questioned democratic capitalism’s *internal* coherence. Samuel Huntington asked in 1975: ‘Is political democracy, as it exists today, a viable form of government for the industrialized countries of Europe, North America, and Asia?’<sup>143</sup> Observing the events recounted above, he concluded that ‘the operations of the democratic process do indeed appear to have generated a breakdown of traditional means of social control, a delegitimation of political and other forms of authority, and an overload of demands on government, exceeding its capacity to respond’.<sup>144</sup> In other words: no, democracy in its current form was not a viable regime form for industrialized, capitalist countries.

Different authors gave different diagnoses for this crisis of democratic capitalism. Not all of them foregrounded the relationship between capitalism and democracy as a leading cause, but in most it featured, either implicitly or explicitly, in the internal structure of the argument. Huntington, for example, highlighted that ‘[b]y the early 1970s Americans were progressively demanding and receiving more benefits from their government’, which in turn ‘produced doubts about the economic solvency of government’.<sup>145</sup> Insofar as the demands for government

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<sup>141</sup> Siegfried Buback (Generalbundesanwalt, killed 7 April 1977), Jürgen Ponto (CEO, Dresdner Bank, killed 30 July 1977), Hanns Martin Schleyer (head of BDI and BDA, killed 18 October 1977). The *Landshut* was hijacked on 13 October 1977 on the way from Palma de Mallorca to Frankfurt. The kidnappers directed the plane to Rome, then to Dubai, from there to Aden and finally Mogadishu, where it was stormed by West German special forces in the night from 17 to 18 October 1977.

<sup>142</sup> Judt, *Postwar*, p. 475.

<sup>143</sup> Crozier, Huntington, and Watanuki, *The Crisis of Democracy*, p. 1.

<sup>144</sup> Crozier, Huntington, and Watanuki, *The Crisis of Democracy*, p. 8.

<sup>145</sup> Crozier, Huntington, and Watanuki, *The Crisis of Democracy*, p. 64.



spending, whose importance Huntington stressed, were driven by the insecurity, inequality, and consumption demands resulting from the regular operation of capitalism,<sup>146</sup> and insofar as the satisfaction of those demands was both enabled by democracy and incompatible with the normal operation of capitalism, Huntington gave an implicitly neo-incompatibilist account of the causes of the legitimation crisis of the nineteen seventies.<sup>147</sup>

Other analysts advanced similar accounts: from the right, the Virginia School of public choice theory claimed that democracy, unless restrained by strong social norms or outright constitutional limits, caused permanent deficits and escalating inflation, and hence economic breakdown.<sup>148</sup> The mechanism was simple: ‘Elected politicians enjoy spending public monies on projects that yield some demonstrable benefits to their constituents. They do not enjoy imposing taxes on these same constituents’. Consequently ‘[t]he effect is a regime of deficits, inflation, and growing government’.<sup>149</sup>

Buchanan and Wagner’s mechanism, like Huntington’s, resembled that of nineteenth century incompatibility accounts, modified by the advent of fiat currency and the Keynesian revolution. Earlier authors, up to and including Anthony Downs, expected that majority demands for higher incomes would be financed by taxation and ultimately expropriation. After 1971, with untethered fiat money commonplace, public choice theorists expected the same

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<sup>146</sup> See F. Hirsch, *Social Limits to Growth* (Cambridge, MA: Harvard University Press, 1976) for a similar but more a sophisticated account of how democratic capitalism fosters needs and demands that the ordinary operation of capitalism is then unable to satisfy.

<sup>147</sup> Note the contrast between Huntington’s (and Hirsch’s) account and Tocqueville’s discussion of the stimulation of new needs in eighteen-thirties America. Whereas Huntington highlighted the fiscally disruptive effects of citizens’ demands (and hence concluded that their expectations had to be retrenched), Tocqueville had argued that ‘[n]ew needs are not to be feared there, because all needs are satisfied without difficulty. You do not have to fear giving birth to too many passions, because all passions find an easy and salutary means of satisfaction.’ Tocqueville, *Democracy in America*, vol. II, p. 464.

<sup>148</sup> J. Buchanan and R. Wagner, *Democracy in Deficit: The Political Legacy of Lord Keynes* (New York: Academic Press, 1977).

<sup>149</sup> Buchanan and Wagner, *Democracy in Deficit*, pp. 56, 95.

demands to be met through deficit spending, at the limit financed through central bank money creation, and hence resulting in inflation rather than outright expropriation.<sup>150</sup>

Western Marxists advanced comparable accounts. James O'Connor identified a 'fiscal crisis of the state',<sup>151</sup> a perennial 'tendency for government expenditures to outrace revenues'.<sup>152</sup> This was caused, he argued, by the pursuit of 'two basic and often mutually contradictory functions—accumulation and legitimation'.<sup>153</sup> If the costs of these functions were socialized, but the profits from accumulation were privatized, a fiscal crisis was sure to result.<sup>154</sup> Soon after O'Connor's first pair of articles,<sup>155</sup> Jürgen Habermas offered a similar account.<sup>156</sup>

O'Connor and Habermas' accounts, like those of Huntington and Buchanan and Wagner, land close to the core of earlier incompatibility narratives. In all of these accounts, whether from the nineteenth century or the nineteen seventies, the inner workings of capitalism generate demands that capitalism will not satisfy itself: demands for an escape from social slavery (Marx), poverty (Mill), or for government spending (Huntington, Buchanan and Wagner, and O'Connor). In a democracy, when these demands are not met through the market, voters turn to politics for satisfaction, demanding non- or anti-capitalist arrangements in production, allocation, and/or consumption. For most nineteenth century authors, the expected

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<sup>150</sup> See also M. Olson *The Rise and Decline of Nations* (New Haven: Yale University Press, 1982). For a general summary and survey of 'conservative theories' of the crisis of the nineteen seventies, see C. Offe *Contradictions of the Welfare State*, ed. John Keane (London: Hutchinson, 1984), chap. 2.

<sup>151</sup> J. O'Connor, 'The Fiscal Crisis of the State: Part 1', *Socialist Revolution*, 1.1 (1970), pp. 12–54; J. O'Connor, 'The Fiscal Crisis of the State: Part 2', *Socialist Revolution*, 1.2 (1970), pp. 34–94; J. O'Connor *The Fiscal Crisis of the State* (New Brunswick, N.J.: Transaction, 1973).

<sup>152</sup> O'Connor, *The Fiscal Crisis of the State*, p. 2.

<sup>153</sup> O'Connor, *The Fiscal Crisis of the State*, p. 6.

<sup>154</sup> O'Connor, *The Fiscal Crisis of the State*, p. 9.

<sup>155</sup> O'Connor, 'The Fiscal Crisis of the State: Part 1'; 'The Fiscal Crisis of the State: Part 2.'

<sup>156</sup> J. Habermas, *Legitimation Crisis* (Boston, MA: Beacon Press, 1975).

result was expropriation and socialism; for Huntington, the Virginia School, and Western Marxists it was deficit spending, inflation, redistribution, state provision, a potential levelling down of positional goods—and eventually economic breakdown and legitimation crisis.

## H. The partnership narrative triumphant?

While these theories were never comprehensively refuted, by the mid-nineteen eighties both the Soviet and the inner challenge to Modernization Theory had lost their urgency. The elections of Margaret Thatcher (1979) and Ronald Reagan (1980) appeared to usher in a new and durable settlement, overcoming both economic and legitimation crises. François Mitterrand's *tournant de la rigueur*, the widespread economic recovery of the West, and a general social calming allayed any remaining fears about the immediate future of democratic capitalism. Deng Xiaoping's market reforms in China, the fall of the Iron Curtain in Germany and Eastern Europe, and the stagnation and demise of the Soviet Union provided further boosts of confidence. Private property in the means of production appeared once more reconciled with universal suffrage, political egalitarianism with economic hierarchy, capitalism with democracy.

It is no surprise then that President Bush Sr. could say, in his 1989 inaugural address, '[w]e know what works: Freedom works. We know what's right: Freedom is right. We know how to secure a more just and prosperous life for man on Earth: through free markets, free speech, free elections, and the exercise of free will unhampered by the state'.<sup>157</sup>

Indeed, in the years around the millennium, belief in the desirability and stability of democratic capitalism was so pronounced that its proponent not only argued for its coherence and superiority, but denied that there were any legitimate alternatives or inner tensions at all. In introducing the 2002 National Security Strategy, President Bush Jr. thus stated: 'The great

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<sup>157</sup> G.H.W. Bush, 'Inaugural Address' (Washington, D.C., 1989).

struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise'.<sup>158</sup> This zeitgeist pervaded academia as well as politics: the entry for capitalism in the 2003 *Oxford Encyclopedia of Economic History* described '[t]he combination of liberal democracy and capitalism' as 'so successful that it has become the model by which states are judged and which the majority of states strive to create'.<sup>159</sup>

What Downs was to the incompatibility narrative, Francis Fukuyama may be to Modernization Theory: both its clearest theoretician and, perhaps, the singer of its swansong. Fukuyama's argument was taken to be simple. Capitalism, uniquely suited to harvesting the fruits of modern science, could provide unrivalled affluence.<sup>160</sup> Democracy, uniquely suited to meeting the human need for recognition, could provide unprecedented social peace and stability.<sup>161</sup>

No other social order could compete with this combination: an absence of capitalism would mean technological, productive, and hence military and geopolitical inferiority. An absence of democracy would mean domestic strife and an ongoing struggle for recognition, causing instability and chaos. As a result, while history in the sense of 'the occurrence of events'<sup>162</sup> might continue, History with a capital h, i.e. 'history understood as a single, coherent, evolutionary process',<sup>163</sup> had ended at the terminus of democratic capitalism. Modernization Theory had been right, this popular interpretation of Fukuyama's book implied. Capitalism and

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<sup>158</sup> G.W. Bush, *National Security Strategy*, p. 1.

<sup>159</sup> Hartwell and Engerman, 'Capitalism', p. 324.

<sup>160</sup> F. Fukuyama, *The End of History and the Last Man* (New York: Avon Books, 1992), part I, esp. chaps. 5–11.

<sup>161</sup> Fukuyama, *The End of History*, part II.

<sup>162</sup> Fukuyama, *The End of History*, p. xi.

<sup>163</sup> Fukuyama, *The End of History*, p. xii.

democracy were compatible with each other, even mutually reinforcing, the most powerful partnership in modernity.

And yet, upon closer study, *The End of History* contained ambivalences. The final sentence suggests, somewhat cryptically, that Fukuyama did not see the End of History as quite so final:

Nor can we in the final analysis know, provided a majority of the wagons eventually reach the same town [i.e. become democratic capitalist states], whether their occupants, having looked around a bit at their new surroundings, will not find them inadequate and set their eyes on a new and more distant journey.<sup>164</sup>

And indeed, around the time *The End of History* was written, the first sprouts of a once more sceptical understanding of the relationship between democracy and capitalism became visible.<sup>165</sup>

Unlike with the earlier incompatibility and partnership accounts, we lack sufficient historical perspective to know whether these sprouts will coalesce into a new paradigm, a new family of accounts with a recognisable core built around a shared narrative. Nevertheless, developments in two major research areas do point in this direction: recent works of social scientific and historical revisionism on the one hand, and recent works of conceptual and theoretical re-interpretation on the other.

Under the first heading, we may identify three specific literatures: recent contributions from economics and economic history that have cast doubt over the Kuznets hypothesis;<sup>166</sup>

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<sup>164</sup> Fukuyama, *The End of History*, p. 339.

<sup>165</sup> R.A. Dahl, *A Preface to Economic Democracy* (Berkeley: University of California Press, 1985); R.A. Dahl, *Democracy, Liberty, and Equality* (Oxford: Oxford University Press, 1988); S. Strange, *Casino Capitalism* (Oxford: Basil Blackwell, 1986); S. Strange, *States and Markets* (London: Pinter, 1988).

<sup>166</sup> T. Piketty, *Capital in the Twenty-First Century* (Cambridge, MA: Belknap Press of Harvard University Press, 2014), pp. 13–15, p. 336; A.B. Atkinson, *The Changing Distribution of Earnings in OECD Countries* (Oxford:

works from comparative politics, international relations, and international political economy that cast doubt over the compatibility of democracy with the (hyper-)globalization of capitalism;<sup>167</sup> and works from political science and sociology that question the extent to which Western states today, particularly the US, are accurately described as democracies.<sup>168</sup>

Taken together, these literatures undermine an important premise of the partnership paradigm: that rising prosperity endogenously causes lower inequality in a market economy.<sup>169</sup> With hindsight, it now appears that the mid-century decline in inequality documented by Kuznets was a result of the exceptional circumstances of the time, in particular strong trade unions and the context of two World Wars and the Cold War. Contra Modernization Theory, no general equalising tendency appears to exist in prosperous capitalist economies. Further, these revisionist literatures also question a key descriptive claim of most partnership narratives:

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Oxford University Press, 2008); A.B. Atkinson, *Inequality* (Cambridge, MA: Harvard University Press, 2015); A.B. Atkinson, T. Piketty, and E. Saez, 'Top Incomes in the Long Run of History', *Journal of Economic Literature*, 49.1 (2011), pp. 3–71; B. Milanovic, *World Apart: Measuring International and Global Inequality* (Princeton: Princeton University Press, 2005); B. Milanovic, *Global Inequality. A New Approach for the Age of Globalization*. (Cambridge, MA: Harvard University Press, 2016); T. Piketty and E. Saez, 'Income Inequality in the United States, 1913-1998', *The Quarterly Journal of Economics*, CXVIII.February (2003), pp. 1–39.

<sup>167</sup> Strange, *Casino Capitalism*; Strange, *States and Markets*; S. Strange, *The Retreat of the State* (Cambridge: Cambridge University Press, 1996); S. Strange, *Mad Money* (Manchester: Manchester University Press, 1998); D. Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997); D. Rodrik, 'How Far Will International Economic Integration Go?', *Journal of Economic Perspectives*, 14.1 (2000), pp. 177–86; D. Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy* (New York: W.W. Norton, 2011); P.G. Cerny, 'Paradoxes of the Competition State: The Dynamics of Political Globalization', *Government and Opposition*, 32.2 (1997), pp. 251–74; P.G. Cerny, 'Globalization and the Erosion of Liberal Democracy', *European Journal of Political Research*, 36 (1999), pp. 1–26; R. Keohane and J.S. Nye, 'Globalization: What's New? What's Not? (And So What?)', *Foreign Policy*, 118.2 (2000), pp. 104–19.

<sup>168</sup> L. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age* (Princeton, N.J.: Princeton University Press, 2008); J.S. Hacker and P. Pierson, *Winner-Take-All Politics: How Washington Made the Rich Richer—and Turned Its Back on the Middle Class* (New York: Simon and Schuster, 2010); Martin Gilens, *Affluence and Influence* (Princeton: Princeton University Press, 2012); K. Schlozman, S. Verba, and H. Brady, *The Unevenly Chorus: Unequal Political Voice and the Broken Promise of American Democracy* (Princeton, N.J.: Princeton University Press, 2012); C. Crouch, *Post-Democracy* (Cambridge: Polity, 2004); P. Mair, *Ruling the Void* (London: Verso, 2013); L. Baccaro and C. Howell, *Trajectories of Neoliberal Transformation* (Cambridge: Cambridge University Press, 2017); L. Elsässer, *Wessen Stimme Zählt?* (Frankfurt: Campus Verlag, 2018); L. Elsässer, S. Hense, and A. Schäfer, 'Government of the People, by the Elite, for the Rich: Unequal Responsiveness in an Unlikely Case', *MPIfG Discussion Paper*, 18.5 (2018), pp. 1–16.

<sup>169</sup> Grewal and Purdy, 'Inequality Rediscovered', pp. 64–65, p. 70.

that the political systems of most major capitalist states are best described as democratic. Instead, recent findings indicate, a better first-cut approximation, especially of the United States, may be ‘economic-elite domination’, ‘biased pluralism’, or, in more classical terms, ‘liberal oligarchy’.<sup>170</sup> It is thus unclear to which extent these states still function as credible examples of a lasting compatibility between capitalism and democracy. Deprived of a key premise and important examples, partnership narratives have begun to look less convincing.

Concerning conceptual re-interpretation, recent analytical work has developed alternative, less election-centric visions of democracy. One direction of re-interpretation, which might be called deepening, has identified deliberation, sortition, and open access to the political process as central but hitherto underappreciated components of democracy.<sup>171</sup> A second direction of re-interpretation, which might be called widening, has re-emphasised the importance of extending democratic rule over the economic realm, offering proposals to democratize corporations, markets, or the financial sector.<sup>172</sup> Recent research in intellectual history has reminded us, finally, that canonical political theorists, from Plato and Aristotle to Montesquieu and Rousseau, saw elections as belonging to aristocratic regime forms, rather than to democracies.<sup>173</sup>

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<sup>170</sup> M. Gilens and B.I. Page, ‘Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens’, *Perspectives on Politics*, 12.3 (2014), pp. 564–81.

<sup>171</sup> J. Cohen, ‘Deliberation and Democratic Legitimacy’, in *Debates in Contemporary Political Philosophy: An Anthology*, ed. D. Matravers and J. Pike (London: Routledge, 1989); *Legislature by Lot*, ed. J. Gastil and E. Olin Wright (London: Verso, 2019); H. Landemore, *Open Democracy: Reinventing Popular Rule for the Twenty-First Century* (Princeton: Princeton University Press, 2020).

<sup>172</sup> Dahl, *A Preface to Economic Democracy*; I. Ferreras, *Gouverner Le Capitalisme? Pour Le Bicaméralisme Économique* (Paris: Presses Universitaires de France, 2012); I. Ferreras, *Firms as Political Entities: Saving Democracy through Economic Bicameralism* (Cambridge: Cambridge University Press, 2017); T. Malleson, *After Occupy: Economic Democracy for the 21st Century* (Oxford: Oxford University Press, 2014); F. Block, ‘Financial Democratization and the Transition to Socialism’, *Politics & Society*, 47.4 (2019), pp. 529–56; R.C. Hockett, ‘Finance without Financiers’, *Politics & Society*, 47.4 (2019), pp. 491–527.

<sup>173</sup> Manin, *Principles of Representative Government*.

By defending or implying more ambitious definitions of democracy, these conceptual reinterpretations, too, question whether the political systems of mid-century class compromise states, in their election-focused nature, did in fact demonstrate the compatibility of capitalism and democracy. Seen against this revised conceptual landscape, Western European post-WW2 regimes may instead appear as ‘highly *constrained* form of democracy, deeply imprinted with a distrust of popular sovereignty.’<sup>174</sup>

Having said this, other influential works continue to defend the partnership paradigm. In a recent book, for example, Iversen and Soskice argue that ‘democracy and capitalism are in a symbiotic relationship’.<sup>175</sup> Swing voters, their argument goes, put pressure on states to produce growth and accessible prosperity. This, according to their research, decisive voters believe is best done through free markets and private property. Along similar lines, other authors have defended the conclusion that democracy is only mildly constrained, if at all, by the construction and expansion of global markets for goods and capital.<sup>176</sup> Key elements of this incipient narrative, in other words, remain contested.

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<sup>174</sup> Müller 2011, *Contesting Democracy*, p. 128, italics original.

<sup>175</sup> T. Iversen and D. Soskice, *Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century* (Princeton: Princeton University Press, 2019), p. 2.

<sup>176</sup> *Varieties of Capitalism*, eds. D. Soskice and P.A. Hall (Oxford: Oxford University Press, 2001); T. Iversen, *Capitalism, Democracy, and Welfare* (Cambridge: Cambridge University Press, 2005); L. Mosley, *Global Capital and National Governments* (Cambridge: Cambridge University Press, 2003); D. Vogel, *Trading Up. Consumer and Environmental Regulation in a Global Economy* (Cambridge, MA: Harvard University Press, 1997); M. Sandbu, *The Economics of Belonging* (Princeton: Princeton University Press, 2020); for an overview of the literature up to 2000, see D.W. Drezner, ‘Globalization and Policy Convergence’, *International Studies Review*, 3.1 (2001), pp. 53–78.



This contestation notwithstanding, a range of authors, from legal scholars<sup>177</sup> to political theorists,<sup>178</sup> from sociologists<sup>179</sup> to (political)<sup>180</sup> economists,<sup>181</sup> have begun to synthesize the multiple strands identified above into overarching accounts. These accounts stress, among other things, the breakdown of the mid-century class compromise state, the historically exceptional nature of that settlement, and the role that profit-driven behaviour and market-valorising ideas played in its demise. They highlight the fact that, when seen across time rather than across space, the countries of the capitalist core have travelled along a shared, broadly neoliberal trajectory for the last two generations. Like its nineteenth- and early-twentieth century predecessors, these narratives stress the tensions between democracy and capitalism, rather than their coherence or mutual reinforcement. Unlike the incompatibility paradigm, however, this newer wave of scholarship appears to stress processes and dynamics of antagonism, sharing the emphasis on instability and social disorder characteristic of the inter-war period, rather than the rationalist and at times a-historical accent of some of the earlier incompatibility narratives. Whether these synthesizing texts represent the cusp of a new common sense, which sees capitalism and democracy as fundamentally antagonistic, or whether they will fade into the background—as much of the nineteen seventies’ and eighties’ crisis literature did in the nineteen nineties and two-thousands—it is too soon to tell.

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<sup>177</sup> Grewal and Purdy, ‘Inequality Rediscovered’.

<sup>178</sup> W. Brown, *Undoing the Demos* (New York: Zone Books, 2015); Nancy Fraser, ‘Legitimation Crisis? On the Political Contradictions of Financialized Capitalism’, *Critical Historical Studies*, 2.2 (2015), pp. 157–89.

<sup>179</sup> W. Streeck, *Buying Time. The Delayed Crisis of Democratic Capitalism*, trans. P. Camiller (London: Verso, 2014); W. Streeck, *How Will Capitalism End?* (London: Verso, 2016).

<sup>180</sup> M. Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002); Baccaro and Howell, *Trajectories*.

<sup>181</sup> Glyn, *Capitalism Unleashed*.

## I. Conclusion

This article presented a history of past understandings of the relationship between capitalism and democracy. Despite changing and contested interpretations of the core concepts at stake, and despite substantially different historical contexts over the past two centuries, it identified and delineated three stylised narratives: incompatibility, partnership, and antagonism (with the last inchoate and not yet fully crystallised). Though frequently contested and fleshed out in different ways, each narrative was central in one of three distinct periods.

The first narrative was central from approximately the early nineteenth century until the middle of the twentieth, endorsed by liberals, conservatives, and socialists alike. The dominant view in this period was that capitalism and democracy could not go together, for private property and universal suffrage were seen as mutually exclusive. Give the people power, and the poor masses will use it to expropriate the rich. This position had deep roots, reaching back into the eighteenth century and perhaps antiquity.<sup>182</sup> It also proved surprisingly resilient. Despite the co-existence of wide suffrages and strong private property protection in more and more European states and former settler colonies, incompatibility views remained widespread until the middle of the twentieth century, credibilised by the addition of auxiliary hypotheses and the instability of the inter-war period.

Eventually, however, both common sense and scholarly views in the Western world turned, embracing the view that capitalism and democracy could go together. At the core of this new paradigm was the idea of modernity as an integrated, indeed epochal, whole. Modernization theorists argued that capitalism led to growth; growth supported the emergence of democracy; and democracy, finally, stabilized the class conflicts emanating from capitalism. Capitalism and democracy were thus seen as partners in modernity. There remained challenges

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<sup>182</sup> See e.g. Plato, *The Republic*, 555a–556e, or Aristotle, *The Politics and The Constitution of Athens*, ed. and trans. S. Everson (Cambridge: Cambridge University Press, 1996), 1281a11–38, and book VI, chaps. iv and v.

to this view: first, in the nineteen-fifties and sixties from the rival vision of Red Modernity; then, in the nineteen seventies, from the turmoil and unrest shaking the West from within. Nevertheless, the partnership view became entrenched enough in academia and the public sphere to constitute a veritable counter-orthodoxy, dominant from the nineteen fifties until the early years of the twenty-first century.

Recently, however, this understanding has itself faced new challenges. Both historical and intellectual developments have begun to cast doubt over it. The transition from the class compromise state to the neoliberal dispensation has made the mid-century accommodation between democracy and capitalism seem contingent and fleeting, rather than congenital and permanent. Intellectually, as the concept of capitalism has returned to common use, and as political theorists have developed a refreshed, more ambitious definition of democracy, a priori arguments for their compatibility have become harder to defend. A new common sense, reading their relationship as antagonistic if not outright incompatible, appears to be on the rise. Whether or not it will take root, it is too early to say.



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ISSN 2699-7207

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