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# Capitalism, bureaucratic authoritarianism, and prospects for democracy in the United States

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Douglas C. Bennett and Kenneth E. Sharpe

David Collier, ed. *The New Authoritarianism in Latin America*. Princeton: Princeton University Press, 1979.

Richard R. Fagen, ed. *Capitalism and the State in U.S.-Latin American Relations*. Stanford: Stanford University Press, 1979.

One of the fruits of U.S. hegemony in the postwar years was the emergence of a dominant perspective in the social sciences of the 1950s and early 1960s that had optimistic expectations concerning economic prosperity and political democracy throughout the world. Loosely organized around Parsonian structural functionalism, two substantive wings of this perspective took shape: the theory of industrial society and the theory of modernization, one for the developed portions of the world and one for the developing areas. The division was predicated upon a series of fundamental contrasts—traditional vs. modern, rural vs. urban, agricultural vs. industrial, sacred vs. secular—a number of which were restated as the Parsonian pattern variables (ascription vs. achievement, particularism vs. universalism, etc.).<sup>1</sup>

We would like to thank a number of people for their criticisms of earlier drafts: Morris Blachman, Peter Evans, Gary Gereffi, Louis Goodman, David Martin, Richard Newfarmer, Richard Valeyly, and the editors of *International Organization*.

<sup>1</sup> Anthony Giddens, "Classical Social Theory and the Origins of Modern Sociology," *Ameri-*

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The theory of industrial society holds, in essence, that the level of development of a given society is set by the unfolding of certain inter-related technological and economic processes which carry the society from tradition to modernity. This unfolding is seen, for the most part, as endogenously or domestically driven; external or international factors constitute at most an "environment" to which the society adapts. Moreover, the state is portrayed as having little to do with making these changes: it is portrayed as subordinate to society.<sup>2</sup>

The theory of modernization drew its image of the goal of development from the theory of industrial society: developing countries should emulate the most developed ones. "Both material benefits (capital and technology) and cultural patterns (institutions and values) were to be diffused or spread from the developed to the underdeveloped countries, and within each underdeveloped nation from the modern to the traditional sectors."<sup>3</sup>

Of central importance to us here is what these twin theories had to say about prospects for democracy. In the underdeveloped countries a gradual progression toward democracy was anticipated as modernization produced literacy, better communications, and rising standards of living—the cultural and economic preconditions for democracy.<sup>4</sup> Because those preconditions were already realized, or nearly so, in industrial societies, there was a prevailing optimism about the prospects for democracy in the U.S., in Europe, and in other developed countries. The concern, widely voiced before World War II, that there might be tension or conflict between democracy and capitalism slipped from view; indeed, "capitalism" ceased to be spoken of at all.

Modernization theory is now in eclipse<sup>5</sup> and nowhere more so than in Latin America, where "development" has brought to some countries au-

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*can Journal of Sociology* 81 (1976), pp. 703–729. See also Gary Gereffi, "'Wonder Drugs' and Transnational Corporations in Mexico: An Elaboration and a Limiting-Case Test of Dependency Theory" (Ph.D. diss., Department of Sociology, Yale University, 1980), chap. 1, parts III and IV.

<sup>2</sup> Giddens, "Classical Social Theory," pp. 718–21. On the theory of industrial society, see, for example, Raymond Aron, *18 Lectures on Industrial Society* (London: Weidenfeld and Nicolson, 1962); and Talcott Parsons, *The Social System* (New York: Free Press, 1964).

<sup>3</sup> Gereffi, "'Wonder Drugs' in Mexico," p. 51. On the theory of modernization, see, for example, Marion Levy, *Modernization and the Structure of Societies* (Princeton: Princeton University Press, 1966); and David Apter, *The Politics of Modernization* (Chicago: University of Chicago Press, 1965).

<sup>4</sup> See, for example, Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review* 53 (1959), pp. 69–105; Gabriel Almond and James Coleman, *The Politics of Developing Areas* (Princeton: Princeton University Press, 1960); and Gabriel Almond and Sidney Verba, *The Civic Culture: Political Attitudes and Democracy in Five Nations* (Princeton: Princeton University Press, 1963).

<sup>5</sup> Among many critiques, see Immanuel Wallerstein, "Modernization: Requiescat in Pace," in *The Capitalist World Economy* (London: Cambridge University Press, 1977), pp. 132–37; and Samuel P. Huntington, "The Change to Change: Modernization, Development and Politics," *Comparative Politics* 3 (1971), pp. 283–322.

thoritarian regimes that engage in repression and deny democratic rights more deliberately and systematically than ever before. Alternative perspectives to replace modernization theory—most notably the dependency perspective—have, for the most part, been elaborated in Latin America and “diffused” to the United States.<sup>6</sup> Optimism about the realization of democracy has been replaced by perceptions that stress the obstacles to democratic regimes that arise from the tensions and stresses of delayed industrialization within the world capitalist system.

In the industrialized countries—which have, for the most part, so far been spared episodes of authoritarianism since World War II—there is once again emerging the concern that capitalism and democracy may be uneasy bedfellows. Charles E. Lindblom, for example, has recently become concerned about the undermining of political equality that flows from the inherently “privileged position of business” in polyarchies.<sup>7</sup> There is a distinctively primitive quality to this concern as it is now being voiced. In 1978 *Commentary* solicited twenty-six responses to the question of the compatibility of democracy with capitalism from scholars across the ideological spectrum.<sup>8</sup> Two positions (positions that are really faces of the same coin) dominated the symposium. On the one hand it was argued that capitalism creates bases of power distinct from the state, which serve as a bulwark against any creep toward authoritarianism. On the other hand it was argued that capitalism creates concentrations of private power that constantly undermine the achievement of political equality. What is simplistic in these formulations is that they approach the matter as if there were some sort of essential character to capitalism that biased it for or against democracy rather than viewing capitalism as a dynamic process that may give rise to conditions fortuitous for the flowering of democracy in some times and places and to conditions that undermine it in others. A number of *Commentary*'s contributors warn that no general causal connection can be established. Theodore Draper, for example, argues that “the question of capitalism and democracy cannot be dealt with in the abstract; it always raises other questions—what capitalism? where? when? in what political culture and tradition?”<sup>9</sup> But none of the other contributors suggests any useful answers to Draper's questions. The debate is stuck on claims and counterclaims about private and plural centers of power: a static, abstract approach.<sup>10</sup>

<sup>6</sup> Fernando Henrique Cardoso, “The Consumption of Dependency Theory in the United States,” *Latin American Research Review* 12 (1977), pp. 7–24.

<sup>7</sup> Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977), pp. 161–233.

<sup>8</sup> “Capitalism, Socialism and Democracy; A Symposium,” *Commentary*, April 1978, pp. 29–71.

<sup>9</sup> *Ibid.*, p. 37.

<sup>10</sup> Two other recent attempts promise a more dynamic and historical approach, but neither really succeeds. Robert Dahl traces a sequence of commitments made by the U.S., and notes a contradiction between the commitment to democracy made in the early 19th century and the commitment to corporate capitalism made in the late 19th and early 20th centuries; but

Two recent edited volumes, both sponsored by the Social Science Research Council's Joint Committee on Latin American Studies, and both drawing upon perspectives that have developed in Latin America in opposition to modernization theory, cast fresh light on questions of capitalism, the state, and democracy.<sup>11</sup> *The New Authoritarianism in Latin America*, edited by David Collier, focuses upon the harshly repressive, authoritarian regimes that have arisen in the last two decades in Brazil, Argentina, Chile, and Uruguay. All of the essays focus on whether this "new authoritarianism" is best seen as a response to the economic dislocations that arise at a particular stage of dependent or peripheral capitalism. *Capitalism and the State in U.S.-Latin American Relations*, edited by Richard Fagen, is a more sprawling but also a more exploratory collection. It seeks to grasp the "deep sources" and the consequences of actions taken in the hemisphere by U.S.-based institutions, both public and private. In tracing the changing relationship between capitalism and the state in the hemisphere, a number of the essays probe the question of democracy in inter-American relations and in the United States itself.

In focusing upon what these two volumes have to offer on the question of capitalism and democracy, what emerges most clearly is that because capitalism operates on a global scale, the question of capitalism and democracy must be seen as a question of international political economy. There is a methodological lesson to be learned as well: the "historical structural" approach employed by all the authors in the Collier volume and by many in the Fagen volume contrasts sharply with the dominant methodology of North

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capitalism and democracy are still conceptualized abstractly; see "On Removing Certain Impediments to Democracy in the United States," *Political Science Quarterly* 92 (1977), pp. 1-20. Samuel Bowles and Herbert Gintis argue that "the internal dynamics" of advanced capitalist societies "tend to undermine the necessary conditions for both capitalism and liberal democracy," and that "the necessary conditions for the long run reproduction of liberal capitalist society are contradictory." But their analysis does not in fact investigate how this contradiction manifests itself in concrete historical situations; see "The Invisible Fist: Have Capitalism and Democracy Reached a Parting of the Ways?" *American Economic Review* 68 (May 1978), pp. 358-63. More to be recommended is Alan Wolfe, *The Limits of Legitimacy: Political Contradictions of Contemporary Capitalism* (New York: Free Press, 1977).

<sup>11</sup> The JCLAS (one of ten joint committees of the Social Science Research Council and the American Council of Learned Societies) makes pre- and post-doctoral individual research grants, but it also sponsors research planning projects—working groups of scholars conducting research in new directions—that frequently, as in these two instances, produce edited volumes. Since its founding in 1959, the JCLAS (whose funding has come principally from the Ford, Andrew W. Mellon, and Tinker Foundations) has had a major role in shaping the directions of research and scholarship about Latin America. It has, for example, nurtured the critique of modernization theory and the formulation of the dependency approach and its offshoots. On this topic and on others, the composition of the JCLAS—it includes eminent scholars from Latin America and Europe as well as from the U.S.A.—has affected the orientation of the research it sponsors. Modernization theory was home-grown in the U.S.; the dependency approach was first formulated by Latin Americans but scholars from Europe and North America have contributed to its elaboration and revision. It would be difficult to overstate the importance of the JCLAS in fostering high-quality, incisive research on Latin America, but its cross-fertilization of North and South American approaches in the social sciences has generated *perspectivas* that warrant the attention of a much wider scholarly audience.

American social science. It makes possible a discussion of the relationship of capitalism and democracy that avoids the abstract, ahistorical, and implicitly deterministic approach that has characterized recent discussions of this question in the United States. In the first section of this essay we look at the contribution of these two volumes to an understanding of the relationship between capitalism and democracy in Latin America. In the second section we suggest ways that these essays and the historical structural approach help broach the question of prospects for democracy in the United States. These prospects are not altogether unclouded.

### 1. The new authoritarianism in Latin America

The hopes of the 1950s and 1960s for a gradual democratization of Latin America, the hopes of modernization theory and of the Alliance for Progress, were dashed by the coming of a host of authoritarian regimes unlike those that had characterized the past in Latin America. At first, the Brazilian coup of 1964 seemed like an isolated, unique event and the regime that it installed something to be referred to the peculiarities of Brazil. But with Argentina falling under military rule in 1966, then Chile and Uruguay in 1973, and finally Argentina once again in 1976 after three years of civilian rule, it became clear that a more general pattern required explanation.

Despite considerable variation in the circumstances that brought the military to power, these new regimes shared four characteristics that set them apart from military governments of the past. First, they are less personalistic; the military rules as an institution. Moreover, the military does not seek to justify its rule as something temporary, while order is restored, before "normal" democratic politics resume. Rather, the military seeks a profound restructuring of society. Second, these regimes are technocratic in orientation. They justify their rule in terms of instrumental rationality—the rationality of bureaucracies and of the market. Third, these regimes pursue economic growth on a strategy that encourages private investment, both domestic and foreign, and that relies, to an unusually high degree, on market mechanisms. Fourth, and finally, these regimes actively pursue the demobilization of the lower classes, to induce political quietude through repression and terror. Thus, these regimes are a chilling combination of brutality and rationality.

Among various attempts to explain the rise of new military regimes in Latin America, a general thesis put forward by Guillermo O'Donnell rapidly captured center stage, particularly because it synthesized a number of strands of recent research concerning dependency, corporatism, populism, and import-substituting industrialization.<sup>12</sup> *The New Authoritarianism in*

<sup>12</sup> For O'Donnell's successive formulations see *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics* (Berkeley: Institute of International Studies,

*Latin America*, edited by David Collier, contains essays by eight distinguished Latin American scholars, essays that seek to critique, revise, extend, and elaborate this thesis concerning what O'Donnell has labeled "bureaucratic authoritarian" (or B-A) regimes.

Stated in its most general form, the O'Donnell thesis follows familiar enough lines. Economic crisis, in the form of stagnant growth and rising inflation, spawns social and political crisis. Reacting to what they perceive to be a threat from the left, key elites in the public and private sectors arrive at a consensus that an authoritarian solution is necessary to break the stalemate and to forestall the possibility of revolution. What makes the O'Donnell thesis compelling is its attempt, first, to identify the particular character of the underlying crisis, an identification that groups together a number of otherwise diverse Latin American countries; second, to identify the constraints that delimit possible avenues of resolution of the crisis; and third, to identify the specific coalitions that may form around specific avenues of resolution.

More specifically, O'Donnell argues that in Latin America capitalist industrialization has tended to proceed along the lines of import substitution, beginning with consumer nondurable products of simple technology and low capital requirements (e.g., paper, textiles, shoes), moving next to products requiring more sophisticated technology and larger capital investments, and then to consumer durable manufacture (automobiles, appliances) and to capital goods. This pattern of industrialization was initiated, in large part, after changes in the world capitalist system, particularly the collapse of world trade during the Depression, undermined the earlier economic stage of primary product exports. Once begun, import-substituting industrialization was found to have an internal dynamic that propelled it forward. But this import substitution occasioned no reduction in balance-of-payments problems, only a change in the composition of the import bill as intermediate and capital goods replaced consumer products.

The character of industrialization in the early or "easy" stage of import substitution conditioned the character of political regimes. On the one hand, industrialization created an urban working class; on the other hand, production for domestic consumption required an expansion of the domestic market. A coalition of urban workers and national entrepreneurs spawned populist regimes: Vargas in Brazil, the Popular Front in Chile, Perón in

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University of California, 1973); "Corporatism and the Quest of the State," in James M. Malloy, ed., *Authoritarianism and Corporatism in Latin America* (Pittsburgh: University of Pittsburgh Press, 1977); and "Reflections on the Patterns of Change in the Bureaucratic Authoritarian State," *Latin American Research Review* 12, 1 (Winter 1978), pp. 3-38. For strands upon which he drew, see, for example, Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (1971; Berkeley: University of California Press, 1979); Albert O. Hirschman, "The Political Economy of Import-Substituting Industrialization in Latin America," in *Bias for Hope* (New Haven: Yale University Press, 1971), pp. 85-123; and Philippe Schmitter, "Paths to Political Development in Latin America," in Douglas A. Chalmers, ed., *Changing Latin America* (New York: Academy of Political Science, 1972), pp. 83-108.

Argentina. By the late 1940s or early 1950s, many of these regimes had a more or less democratic character—popularly elected governments or competitive elites.

The “easy stage” of import substitution began to exhaust itself in the mid 1950s, however: opportunities for small-scale investment in consumer nondurables or in industries putting final touches on consumer durables (e.g., auto assembly from imported kits) were diminishing. Further expansion was perceived to depend on large-scale investment in the manufacture of consumer durables or in capital goods. The requisites of such massive capital accumulation exacerbated conflicts that could no longer be contained by these relatively open regimes. Needs for fiscal austerity, labor discipline, and long-term predictability began to threaten the interests of the domestic bourgeoisie, white-collar consumers, and blue-collar workers that had formed the basis of these “national populist” coalitions. Political stalemate ensued, transforming economic difficulties into sociopolitical crises. Bureaucratic authoritarian regimes emerged to settle by coercion the problems that could not be settled through bargaining and negotiation.

The various contributors to *The New Authoritarianism in Latin America* all, in one way or another, address the O’Donnell thesis concerning the rise of bureaucratic-authoritarian regimes. Some offer theoretical critiques, others empirical disproof; some revise or refashion it, others extend it to new cases. All the pieces are interesting and sophisticated, but as a whole the book presents a dense, barely penetrable thicket of argumentation to any reader not already quite familiar with its concerns. O’Donnell’s thesis has not been widely available in English, and it has passed through several revisions. David Collier gives a summary overview of the argument at the beginning but the historical material needed by anyone not a specialist in the region is only encountered in Robert Kaufman’s chapter, over halfway into the book. Moreover, the delimitation of individual chapters is curious. It is clear that the contributors shared a sense of what were the important issues to discuss, but these issues are seldom the clear central focus of specific pieces. The editor’s Introduction and Conclusion struggle valiantly to keep these issues in view. Finally, and perhaps most confusingly, there is a counterpunching sense to the book. It does not seem that anyone is defending the O’Donnell thesis. O’Donnell himself has a chapter in the volume, but it is concerned with extending his analysis to treat the dynamics of B-A regimes once installed rather than with explaining their emergence. Despite Collier’s attempt to draw the pieces together, a reader might conclude that the thesis was being thoroughly rejected.<sup>13</sup> While some of the thesis’s major proposi-

<sup>13</sup> Thus, for example, this conclusion from a recent review: “Enough evidence is marshalled in this rather large volume to lead most observers to seriously question many of its central assumptions. Perhaps most importantly, the close linkage between the above-mentioned economic problems and the emergence of B-A regimes is refuted by several of the papers.” See Mitchell Seligson’s review of *The New Authoritarianism in Latin America* in *American Political Science Review* 74 (1980), pp. 1107–8.



tions do not stand up to empirical test, this aura of disconfirmation serves to obscure a deeper common perspective shared among all the authors concerning the political economy of regime transitions. Before summarizing this deeper common perspective, let us discuss some of the key issues in contention in the book.

The first that merits attention is the question of populism. Kaufman's lengthy review of the history of the countries that have experienced B-A regimes leads him to the conclusion that populist regimes are not as tightly associated with the easy stage of import-substituting industrialization as O'Donnell indicates. This phase of industrialization is compatible with a variety of political regimes. But the next stage of industrialization, Kaufman agrees, after import substitution encounters exhaustion, does entail a radical narrowing of the range of choice in political regimes: "variations in the structure of the state began to make more of an economic difference—particularly the capacity of the state to insulate economic decision-making from populist pressures" (p. 203). This is when B-A regimes make their entrance. In his concluding chapter, Collier offers the suggestion that populism be seen as a background variable: the likelihood and severity of B-A rule correlates with the strength and independence of populism.

Second is the issue of "deepening." A number of the contributors present evidence that the economic crisis which precipitates a B-A coup is not invariably brought on by the requisites of deepening import substitution (the achievement of a higher degree of vertical integration of the productive structure). There are other policy options by which to continue industrialization, and in some cases deepening was neither tried nor perceived. Jose Serra examines the Brazilian case with some care and concludes that something like the reverse of deepening was occurring on the eve of the B-A coup, and that the military junta did undertake deepening but not until the 1970s. Robert Kaufman identifies a number of alternative economic growth strategies that could have been pursued—alternatives to deepening such as exports of manufactured goods or primary products, or income redistribution to widen the internal market. Moreover, "none of these strategies 'required,' in any strict, direct sense, the highly repressive B-A regimes which eventually appeared in South America" (p. 213). But he adds:

More than in the past, new spurts of industrial growth seemed to depend on coordinated policy initiatives which emphasized stabilization, the confidence of the international industrial and financial bourgeoisie, and the cooperation of the more "internationalized" segments of the local export and manufacturing oligarchies. This, in turn, seemed to imply a funnel-like narrowing of the coalitional choices and institutional alternatives available to political and economic élites. (p. 248)

If the requisites of deepening cannot be accepted as the defining character of the crisis that ushered in these new authoritarian regimes, what

alternative formulations might prove more satisfactory? Jose Serra considers two alternative hypotheses: Rui Marini's suggestion that "superexploitation" of the working class is a necessary condition for capital accumulation in Latin America and the hypothesis of Irving Louis Horowitz and Ellen Kay Trimberger that these new authoritarian regimes are "an incarnation of economic rationality," a functional necessity for capitalist development in Latin America. Serra shows both these to be simplistic and overly deterministic. Albert Hirschman sets down a methodological stricture that any proposed definition of the crisis must be accompanied by a showing that those actors who brought about the B-A coup had an awareness of the nature of the crisis that is adduced as their motive. He considers two possibilities, either of which might be offered by the military to justify their seizure of power: need for a more orthodox, market-oriented set of policies to cope with the excesses of import substitution in its early, exuberant phase (inefficiency, high prices, etc.), and the desire to redistribute income upward to support stagnating consumer durables industries. Neither suffices: "The search for a single, specific structural economic difficulty underlying the rise of authoritarianism in Latin America seems to me unpromising" (pp. 81-82), he concludes. But he is not led by this to reject the O'Donnell thesis: it "should be widened rather than abandoned" (p. 71). The burden of Kaufman's argument is to provide one such amplification: deepening can be seen as only one of a few alternative strategies, all of which militate for (though do not necessarily determine) a more authoritarian regime. Hirschman, with engaging perversity, proposes another with the suggestion that a portion of the blame should rest with O'Donnell and the intellectuals whose work he has drawn on—not forgetting Albert Hirschman himself. Intellectuals of the structuralist school of thought, he argues, put forward "an overdose of proposed problems" that seemed beyond the available capabilities to solve them. There is no need, he argues, to suppose a "strict proportionality between the problems a society experiences and the problems proposed to it by its intellectuals, policy makers and other intellectuals" (p. 82). Hirschman thus suggests that intellectuals share some responsibility for setting in place "a precondition for radical regime change" (p. 86), but he hardly sees this as the whole explanation: "In stressing developments in the ideological realm, I have no wish to claim that they ought to supersede those explanations of the turn to authoritarianism that focus on some soft spot in economic structure or policy" (p. 87).

If there are some admittedly partial attempts to reformulate the O'Donnell thesis, there are also some compelling efforts to extend it to new cases. Julio Cotler considers why B-A regimes have come to Brazil and the countries of the southern cone rather than (for significant example) Mexico or Peru. Both these countries have had authoritarian regimes, and Peru a military one from 1968 to 1979, but they cannot be called bureaucratic-authoritarian because they have not employed repression on the same scale

and they have not sought the same degree of demobilization of the lower classes. Drawing on the work of Cardoso and Faletto,<sup>14</sup> Cotler argues that the key difference consists in the foreign control of crucial export commodities in the 19th century in Peru and Mexico. This affected the “impact of export-led growth, the nature of the system of domination that supported this growth and the types of populist regimes that subsequently emerged in these countries” (p. 281). In Peru and Mexico (and elsewhere) national populist movements embracing lower and middle classes arose to cast out the foreign imperialists. In the political reconstructions that followed, national elites developed capabilities that allowed them to control the lower classes more successfully—without overt repression—in times of economic crisis.

James Kurth takes the O’Donnell thesis farther from home, to Europe, to explain the “three great political transitions” of the past 150 years: “the shift from absolutist monarchies (traditional authoritarianism) to the liberal state and parliamentary systems in the nineteenth century; the breakdown of parliamentary systems and the establishment of new authoritarian regimes in much of Europe in the 1920s and 1930s; and the establishment of stable democracies after World War II” (p. 327). While he takes care to argue that the political impact of industrialization has been different in Europe than in Latin America, and more generally that the impact “for good or ill has been more configurative than determinative” (p. 357), he does find the O’Donnell thesis fruitful. In two ways Kurth’s analysis sharpens the analytic focus. First, he distinguishes between the *timing* and the *phasing* of industrialization, and argues that whether a country was an early or a late industrializer is less important in understanding political outcomes than the phasing of industrialization through the manufacture of consumer nondurables, capital goods, and consumer durables. Second, within these phases he identifies specific leading sectors (textiles, steel, automobiles) and he distinguishes between the stages of installation and of saturation in these industries.

### *The common perspective*

What tends to get lost in the thicket of argumentation is that all of these authors work out of a common perspective on how to approach questions of regime change—questions about how and why open regimes may give way to authoritarian ones. More than any specific conclusion or finding, the contribution of this volume is this common perspective, a perspective that embraces issues of both substance and method and that warrants a hearing far beyond Latin America.

Something of the nature of this common perspective can be seen from approaches that are not used. None of the authors deduces authoritarianism

<sup>14</sup> Cardoso and Faletto, *Dependency and Development in Latin America*, esp. chap. 4.

from the functional “needs” of “system maintenance” or from some essential (ahistorical) internal logic of capitalism. Explanations of the coming of B-A regimes are not founded on the personal greed and ambitions of the officer corps nor on some general tendency of Latin cultures toward authoritarian rule. There is no attempt to lay principal responsibility on external actors, whether institutions of the capitalist core (TNCs, the IMF, the CIA) or Cuban subversives whose efforts established elites sought to forestall by strong countermeasures. Nor are explanations derived simply by seeking for one or two independent, isolated variables that correlate with the coming of B-A regimes. It is not that systemic relationships, the dynamics of capitalism, personal or cultural considerations, external factors, or inter-country comparisons are unimportant. But, as frequently used in North American social science, they cannot provide an adequate explanation of the breakdown of popularly elected governments or the rise of authoritarian regimes. What is needed and what the Collier collection provides is an approach capable of dealing with systemic interrelations and the dynamics of capitalism in a historical, nonfunctionalist manner; an approach capable of joining external considerations of the world capitalist system with internal considerations of national political economies; an approach capable of grasping structures that limit action without deterministically eliminating the meaningful and consequential choices of specific actors; and an approach that is empirical and comparative, but grounded in history. Let us consider how the common perspective of its contributors views contemporary capitalism, how it views the state, and how it approaches certain key methodological issues.

### i. Capitalism

Capitalism is seen in a double aspect: as a world system and as a defining character of particular national political-economic systems by virtue of their insertion into that world system. Capitalism needs to be seen on a global scale for two reasons. The prospects for development of one country are conditioned by its relationships with other countries; that is, by its position in the world capitalist system. Unlike those approaches which see development as being “diffused” from the more developed to the less developed countries, each country going through a similar set of stages, those countries that undertook industrialization first enjoyed certain opportunities and benefits with respect to “late industrializers” and these, in turn, with respect to “late-late industrializers” (as we must consider Argentina, Brazil, Chile, and Mexico). The *dependencia* perspective explores the ways in which prior industrialization of the core countries impeded development in Latin America.

A global view is also necessary to identify the expansions and contractions of the world capitalist system that shape opportunities and obstacles

for different actors. Within each country, capitalism is seen as proceeding through more or less distinct historical stages—quite different from the stages of the early industrializers—the timing of which has been conditioned by these global cycles. In the major countries of Latin America, the movement has been from primary product, export-led growth to import substitution of consumer nondurable goods, followed by consumer durables and capital goods. Brazil and Mexico in particular have moved toward the export of manufactured goods. Progression through these stages (which is not automatic, but rather the work of particular actors) effects changes in social structure at both elite and mass levels, changes that in turn affect the interests and the power of different actors. Each of these stages and the transitions between them are accompanied by characteristic tensions that pose opportunities for some, difficulties for others. Reaching for a general formulation, Hirschman writes: “Growth creates inequalities and imbalances” (p. 87): social, sectoral, regional. “In time, pressures will arise to correct some of these imbalances, both because the continuation of growth requires such correction at some point and because the imbalances bring with them social and political tensions, protest and action.” Consequently, he argues, two functions must be accomplished during growth: an entrepreneurial or accumulation function, and a reform or redistributive function. In each country the question arises of who will emerge to perform each of these functions, and how they will be coordinated. To call them “functions” is no guarantee that they will be performed, and certainly not that they will be performed quickly or fairly or even humanely. “How well these two functions are performed and coordinated is crucial for both economic and political outcomes of the growth process” (p. 88).

## ii. The state

The state may perform either function; which or whether depends upon its class character—its social foundations—and the purposes that are poured through it. It is noteworthy that this common perspective restores a conception of the state, a concept that has been absent from North American social science until very recently. Amid the multiplicity of governments and changes in technical and political personnel, the authors conceive of a more or less continuing entity with a more or less coherent character. Although there are disagreements (and little in the way of an explicit “theory of the state”), the authors recognize two important points. First, the state is not simply a formal set of political institutions or a site for pluralistic group conflict; and it is not simply that institution (as Weber has it) which has a monopoly of the legitimate means of coercion within a defined territory. Rather, the state itself represents a coalition of class forces that defines its character, its social foundations, and thereby delimits its possibilities for action. But, second, the state is not simply an instrument of, nor is the character of the state strictly determined by, class forces. Fernando Hen-

rique Cardoso insists upon a distinction between the *state*, conceived as “the basic ‘pact of domination’ that exists among social classes or fractions of dominant classes and the norms which guarantee their dominance over the subordinate strata,” and a *regime*, which he identifies as “the formal rules that link the main political institutions (legislature to the executive, executive to the judiciary, and party system to them all), as well as the issue of the political nature of the ties between citizens and rulers (democratic, oligarchic, totalitarian or whatever)” (p. 38). The distinction allows him to argue that “an identical form of state—capitalist and dependent in the case of Latin America—can coexist with a variety of political regimes” (p. 39). “Bureaucratic-authoritarian” is thus a kind of regime, and such regimes come into existence without any change in the basic pact of domination which is the state. Consequently, there can be no simple economic determination of regime type, and yet there is room for exploring whether there may be an “elective affinity” between a particular economic stage or transition phase and a particular kind of regime. The correspondence may be more and less tight: looser, for example, between the easy stage of import substitution and the populist regimes established about the same time in some of these countries. And there may be disagreements about the degree of looseness, as there surely are among the contributors to this volume. But because there is no strict economic determination, there is always room for political maneuver, for action within delimiting structures.

Because action matters, ideology matters: it is important how actors understand their world, and we need to understand their consciousness in order to understand their actions. In the case of bureaucratic authoritarian regimes, the ideologies that dominate are shaped around technocratic rationality. Efficiency replaces the consent of the governed as the basis on which the regime lays claim to legitimacy.

Two further points need to be made about this technocratic rationality. First, it is spread internationally, and its carriers are the dominant institutions of global capitalism—international banks, transnational corporations, the International Monetary Fund. Second, it has shown itself not to respect human dignity. This is not simply a question of encouraging cutbacks in social welfare expenditures or increasing income inequality in the name of economic rationality. It is a question of permitting torture and terror.

### iii. Methodology

Finally, this common perspective embodies a distinctive approach to the conduct of social research, an approach, following Cardoso and Faletto, we can call “historical structural.” It proceeds from the recognition of relatively stable global structures, but it insists that:

Social structures are the product of man’s collective behavior. Therefore, although enduring, social structures can be, and in fact are,

continuously transformed by social movements. Consequently our approach is both structural and historical: it emphasizes not just the structural conditioning of social life, but also the historical transformation of structures by conflict, social movements, and class struggles.<sup>15</sup>

The analysis is thus dialectical: despite the appearance of certain social and economic structures as "given" or "natural," these structures were created by human action in the past. They limit the present possibilities for human action but they do not strictly determine that action. Indeed, the crises and tensions that structural changes provoke may open up new possibilities as they close others; and new actions will, in turn, create new structural limits along with new possibilities. What the limits and possibilities actually are, of course, cannot be logically deduced. They must be discovered by careful, historical analysis (often comparative) of the political economies of each country. Within such a perspective there is considerable room for disagreement concerning the precise character of structural constraints or concerning the space for human choice that they permit. Cardoso, Hirschman, Serra, and Kaufman all insist that the original formulation of the O'Donnell thesis posed structural constraints in too constricting a manner. But the antagonists on both sides of this debate stand together in opposition to the implicit determinism and linear causality of the dominant approach (caged from the history of science's depictions of physics) of North American social science, "the academic tradition which conceived of domination and sociocultural relations as 'dimensions,' analytically independent of one another, and together independent of the economy, as if these dimensions correspond to separate spheres of reality."<sup>16</sup>

It is frequently held against any approach that deviates from the dominant one in North America that it is not rigorous, that it lacks a tough-minded concern with data and falsification. Such a charge cannot be leveled against the contributions to the Collier volume. Indeed, much of the initial impenetrability of these essays can be laid to their insistence on subjecting the O'Donnell thesis to hard-nosed empirical test.

One last contrast: instead of objectivity or value-neutrality, the historical structural approach espouses engagement and political responsibility. Because it believes that "there is room for alternatives in history," despite structural determination, it is concerned with identifying the possibilities for change. And among the historically available alternatives, it is committed to those that promise an end to domination and exploitation. It is concerned with clarifying who can make the critical choices, the ones that matter. Thus, O'Donnell himself moves on, in this volume, to explore the tensions in B-A regimes, tensions that may make possible political action aimed at a restoration of democracy.<sup>17</sup>

<sup>15</sup> Cardoso and Faletto, *Dependency and Development in Latin America*, "Preface to the English Edition," p. x.

<sup>16</sup> *Ibid.*, p. ix.

<sup>17</sup> For a collection of studies that focus particularly on the importance of politics in the maintenance and collapse of democratic regimes, without losing sight of structural constraints,

## 2. Capitalism and democracy in the United States

The common perspective of the Collier book provides an estimable general approach to the question of democracy and capitalism, not only in Latin America but elsewhere in the world. Above all it insists that capitalism must be seen from a global perspective. The terms of success of import-substituting industrialization, and the attendant moments of openness and closedness in Latin America over the past half-century, have been conditioned by the place of these countries in the world capitalist system and by the changing structure and dynamics of this global political economy. Drawing as they do from the *dependencia* perspective,<sup>18</sup> all the contributors to the Collier volume share this much as a deep and common assumption. Nevertheless, because the thrust of the O'Donnell thesis is to stress how the enveloping *structures* of dependency play through domestic political-economic institutions and processes, the essays in the Collier volume downplay, though certainly do not deny, the role of foreign *actors* in encouraging or facilitating the installation of B-A regimes.

Some threats to democracy do stem directly from the policies and practices of foreign actors, however. *Capitalism and the State in U.S.-Latin American Relations* has several essays that redress this imbalance by focusing on the role of U.S.-based actors, both public and private, in facilitating the emergence of authoritarian regimes in Latin America. Michael Klare and Cynthia Arson argue that the military assistance programs of the U.S. government have had as their consequence, whether intended or not, the encouragement of authoritarian regimes. "In the name of combatting subversion—for what ever reason, be it development or democracy—the United States equipped, trained, coordinated, expanded, and actually helped create the forces of repression in Latin America" (p. 146). Two other pieces single out banks for particular attention. Roberto Frenkel and Guillermo O'Donnell contend that the orthodox economic policies that the IMF insists upon as a condition for stabilization loans "cannot be implemented without a state that is sufficiently authoritarian to suppress the opposition arising against their high social costs" (p. 212). Barbara Stallings reaches a similar conclusion in examining the consequences of the terms of a private bank consortium loan to Peru in 1976: "stabilization programs . . . have proved impossible to implement in Third World countries without highly authoritarian regimes" (p. 252).

Ira Katznelson and Kenneth Prewitt identify "a very high degree of fundamental continuity in the policy of the U.S. government" toward the hemisphere over the past two decades, centered on two principles: "the maintenance of a skewed pattern of north-south geopolitical capacity," and "the maintenance of a skewed pattern of distribution of economic oppor-

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see Juan J. Linz and Alfred Stepan, eds., *The Breakdown of Democratic Regimes* (Baltimore: Johns Hopkins University Press, 1978).

<sup>18</sup> Cardoso and Faletto, *Dependency and Development in Latin America*.



tunities and rewards" (p. 26). Sustaining these imbalances of power and benefit may require the U.S. to support the installation or continuation of authoritarian regimes, but Katznelson and Prewitt do not insist upon any invariant tendency of U.S. foreign policy in this direction. Instead, their analysis delineates how and why the U.S. sustains "apparently contradictory initiatives like support both for authoritarian regimes *and* for the promotion of human rights" (p. 34)—"hard" and "soft" policies.

Though several of its essays do help us fill out our understanding of democracy and capitalism in Latin America, the Fagen volume focuses concern on foreign policy rather than on democracy. What is most provocative in the book is not what it argues about the *consequences* of U.S. foreign policy toward Latin America but what it reveals about the changing *roots* of U.S. foreign policy. It is a premise of the volume (though it is not one that all of the contributors accept) that the received ways of understanding U.S. foreign policy are no longer adequate. Important changes are taking place in the political economy of the U.S. and in the role of the U.S. in the world capitalist system. Consequently, the Fagen volume proceeds via a series of exploratory case studies, trying to tap these changes as they bear on Latin America. "The elaboration of a model of how the hemisphere works has far outrun the elaboration of a compatible model of how the United States works," Fagen argues (p. 3). For the most part these essays employ the same historical-structural method as those in the Collier volume, but there is no central, overarching thesis to give these explorations the kind of unifying intellectual shape that the O'Donnell thesis gives *The New Authoritarianism in Latin America*. If we continue to focus on the question of democracy, however, we can piece together from these various case studies of the changing "deep sources" of U.S. foreign policy an interesting but disquieting perspective on prospects for democracy in the United States.

Kalman Silvert has suggested that one reason that the study of U.S. foreign policy toward the hemisphere is important is that it reveals "American leadership as it behaves when untrammelled by domestic rules."<sup>19</sup> That is, it suggests what antidemocratic proclivities, denied expression at home by the institutions of American democracy, lurk within U.S. elites. Without denying the importance of this insight, we have in mind a different kind of approach to the question of democracy in the U.S., one that draws upon the common perspective of the Collier volume. Silvert's suggestion focuses upon the possibility of antidemocratic intentions among key elites in the U.S., but the historical-structural perspective of the Collier volume directs our attention toward a stalemating and erosion of democracy in the U.S. that may occur without anyone's intending it.

We are *not* intending to argue "the Latin Americanization of the United States"—that would be both facile and misleading. Although it is sobering to

<sup>19</sup> Kalman Silvert, "The Lone Eagle Abroad," chap. 3 in *The Reason For Democracy* (New York: Viking, 1977), p. 45.

recollect Kaufman's conclusion that B-A regimes have been most repressive (in Chile and in Uruguay) where competitive political systems had been the longest and most firmly established (p. 227), political institutions and political culture in the United States have a history far different from any country's in Latin America. And despite the persisting class inequality in the United States, its system of social stratification is very different. Nevertheless, the *approach* that has been taken to studying the relationship between capitalism and democracy in Latin America could address the same question in the U.S. in a manner more fruitful and probing, less abstract and static, than current efforts. Such a historical-structural approach to the question of prospects for democracy in the United States would seek to identify the tensions and potential crises in the U.S. political economy. It would examine the historically developed structural constraints that delimit the horizons of possibility, and it would explore the spheres of free action for particular actors within those limits to preserve, revive or transform the political (and economic) institutions and processes of the United States. Our point of departure for such an analysis must be the recognition that deep and dramatic change, largely of international provenance, is afoot in the political economy of the United States.

The last ten years have seen dramatic changes in the world capitalist system and in the U.S. role within that system: the American defeat in Vietnam, the OPEC oil price shocks, the breakdown of the Bretton Woods system, and the emergence of Europe and Japan as economies capable of challenging the U.S. predominance in a number of key manufacturing sectors. For a quarter century after World War II the United States was a hegemonic power in the world, most particularly in the western hemisphere, able to insist upon its arrangements in matters of diplomacy, trade, investment, weaponry, currency transactions, and nearly anything else it considered of importance. But now, as Fagen notes in his Introduction, "large fissures have appeared in the hegemonic facade" (p. 3). This challenge to U.S. hegemony brings in its train a series of consequences, for the United States and for its role in the world, that we are only beginning to grasp.

Some of the essays in the Fagen volume are curiously silent about the decline of U.S. hegemony and about its implications, but a few of the case studies do embody a clear perception of this change; glimpses of it are to be captured in a number of others. We focus on it here because it is certain to have important consequences for democracy, both abroad and at home. On the one hand it is likely to alter the interests and power of U.S.-based actors in operating outside the United States. And on the other hand the changes in the world capitalist system are likely to pose problems for the U.S. political economy, problems that will put significant stress on the democratic channels of American government.

In studying this sea change, the decline of U.S. hegemony in the world capitalist system and its consequences for U.S. foreign policy, we need first to note that we are more impoverished in our concepts for grasping this

transformation than we are, for significant example, in the Latin American case. It is precisely the availability of a sophisticated conceptualization of the process of import-substituting industrialization in Latin America—with its attendant ideas of the “easy stage,” “exhaustion” and “deepening”—that makes possible the richness of the O’Donnell thesis about the coming of bureaucratic authoritarian regimes.

What equivalent broad-scale understanding of the political economy of the United States or of industrialized countries do we have to center an analysis of the current difficulties or crises in the U.S.A.? The theory of industrial (or postindustrial) society is unlikely to be of any service. Just as the dependency perspective has been grounded in an understanding of the developmental dilemmas of late dependent capitalism, what is needed for the U.S.A. is an understanding of the developmental dilemmas of advanced or mature capitalism. For the most part what we have available are catch phrases without much analytical probity: “reindustrialization” is currently in vogue. But in the concept of the welfare state (or, alternatively, of social democracy) we do have a serviceable prospect because it comprehends, in comparative terms, a major transformation, begun nearly a century ago, in the political economy of those countries in Europe and North America that were among the first to embark on industrialization.<sup>20</sup> In Latin America and in other late-late industrializing countries, a large role for the state in capital accumulation was a necessary if not a sufficient condition for industrialization. In the United States and in other earlier industrializers, however, private sector corporations and banks performed this function for the birth of a succession of leading manufacturing industries—textiles, steel, automobiles. The state became significantly involved in the economy only after industrialization, and for two different but complementary reasons. First, social welfare policies were enacted to protect the citizenry from the vulnerabilities of wage labor (unemployment, disability, old age); and second, the state undertook the management of aggregate demand through fiscal and monetary policy. The welfare state managed the tensions between capitalism and democracy by balancing (in Hirschman’s terms) the accumulation function and the reform function.

Because of the insular perspective from which the United States is commonly viewed by its own social science, the notions of the welfare state and social democracy may seem ill-fitting characterizations of this country. This impression may be strengthened by the substantial and evident differences between the United States and the advanced capitalist democracies of Europe, to which the concepts are more commonly applied, with their stronger planning apparatuses and stronger party systems in which mass-based socialist parties play leading roles.

The notion of the welfare state or of social democracy, however, is pre-

<sup>20</sup> See Asa Briggs, “The Welfare State in Historical Perspective,” *European Journal of Sociology* 2 (1961).

cisely the conceptualization that Katznelson and Prewitt employ to ground their analysis of the roots of U.S. foreign policy toward the western hemisphere. Alan Wolfe and Jerry Sanders concur, offering the provocative suggestion that a proper understanding of the Cold War liberalism that has played a key role in shaping U.S. foreign policy is possible *only* if it is seen as the American version of social democracy: “the forces pushing toward social democracy in Europe, when transplanted to the United States, transformed themselves into military Keynesianism” (p. 49). The insights of these two essays can serve as the basis of a more general analysis of the political economy of the United States, one that takes account of the peculiarities of the U.S. vis-à-vis the industrial democracies of Europe and provides us with a way to assess the implications for democracy of the changing role of the U.S. within the world capitalist system. What emerges as central in these analyses are a particular coalition that has dominated U.S. politics (both foreign and domestic) since the Second World War and a particular ideology that has served to hold this coalition together. In several other contributions to the Fagen volume changes in the international political economy emerge that are dismembering this coalition and rendering its ideology increasingly irrelevant. The likely result is stalemate—the absence of any coalition to center U.S. politics—and, in such a circumstance, the erosion of democracy becomes a distinct possibility.

Katznelson and Prewitt single out two characteristics, “low classness” and “low stateness,” to distinguish the U.S. from the social democracies of western Europe.<sup>21</sup> By “low stateness” they mean that government in the United States is divided and circumscribed by constitutional arrangements (federalism, the separation of powers). The state is big but diffuse in character. By “low classness” they mean that the U.S. is characterized by a “plurality of affiliations of a non-class kind.” The United States may have the most developed class relations in the world, but society and politics tend to be less organized along class lines than in Germany or England or Sweden. Because of low classness, labor becomes yet another interest group rather than an organized working class able to exert countervailing pressure. “Policies are considered not in terms of class conflict but of a cross-class hegemonic interest group framework” (p. 35). Labor has been one element in the cross-class coalition that has dominated American politics for much of the period since World War II, together with large corporations and banks, farmers, the state’s national security managers, and others. Katznelson and Prewitt argue that low stateness and low classness are the key to the dualism in U.S. foreign policy of hard policies and soft policies. The state can engage simultaneously in actions that proceed within constitutional democratic pathways and in covert actions where the Constitution is, in effect, in suspension, the separation of powers replaced by an imperial presidency and

<sup>21</sup> Cf. Ira Katznelson, “Considerations on Social Democracy in the United States,” *Comparative Politics* 11 (October 1978), pp. 77–99.

limited government replaced by the far-reaching demands of “national security.” While it is possible in some ways and at some times to pursue soft policies, labor has come to share an interest with its coalition partners in the current relations of domination. Moreover, “the very pluralism of American life outside the workplace fashions a degree of freedom in the relations between the state and capital virtually unknown elsewhere” (p. 34).

Alan Wolfe and Jerry Sanders focus their attention on the ideology that has served to hold this cross-class coalition together. Cold War liberalism, they argue, joined “domestic liberals who saw defense spending as a macroeconomic stimulant to economic growth and strategic thinkers who were arguing that an expansionist Soviet menace constituted the greatest threat to American civilization” (p. 44). Wolfe and Sanders thus contend that Cold War liberalism (or military Keynesianism), which has often led the United States to support anticommunist but undemocratic regimes abroad, emerged out of the search for a stable alliance to center U.S. political life. “The social-democratic goal of centrist state management of capitalism combined with moderate reform to harmonize all social classes became the basis of a consensus that would make the Cold War rival the New Deal as the foundation of the Democratic Party’s post-war political unity” (p. 49).<sup>22</sup> Wolfe and Sanders attempt to explain the resurgence in the past few years of this Cold War liberalism, which “by 1968 had seemed dead beyond resurrection.” This is surprising, they contend, because with the decline of U.S. hegemony “the material reality of the U.S. position had shifted” (p. 46). “Those who argue . . . that material interests determine foreign policy options must confront the proposition that increased defense spending and a militant foreign policy would be as harmful to American capitalism now as they once were stimulatory” (p. 47).

### *The United States in the world political economy*

The welfare state conceptualization of Katznelson, Prewitt, Wolfe, and Sanders (taking note of the peculiarities of the United States seen in this light) allows us to grasp the consequences of this “changed material reality of the U.S.”—its changing role in the world political economy. Several of the essays in the Fagen volume address important changes in key sectors of the U.S. economy. The common perspective of the Collier volume directs our attention to important questions: what are the social and political stresses being visited upon the United States as a consequence of the decline of U.S. hegemony? What are the resulting alterations in the interests and power of key actors? How are political coalitions fracturing and reorganizing? What ideologies are being drawn on to guide the actions of these coalitions?

<sup>22</sup> Cf. Alan Wolfe, “Has Social Democracy a Future?” *Comparative Politics* 11 (October 1978), pp. 100–125.

tions in pursuit of private and public well-being? Let us attend to these questions in trade and investment, in finance, and in energy, before considering the implications for democracy in the United States.

i. Trade and investment

Steven Volk begins his essay on "The International Competitiveness of the U.S. Economy: A Study of Steel and Electronics" with a clear perception that "the structures of the world economy are changing," and that "the consequences of these changes are being felt acutely on the streets of New York and Des Moines, Youngstown and Miami" (p. 92). The problems with the U.S. economy are more fundamental, he argues, than growing trade imbalances: there are "basic shifts in the nature of production currently challenging the international competitiveness of the U.S. economy." Two factors seem particularly important: "the loss of technological competitiveness and the shift of productive capital, especially in labor-intensive manufacturing industries, from the U.S. to low wage areas abroad" (p. 91). Volk focuses upon two key sectors of the U.S. economy that have grown less competitive: steel and electronics. One is technologically stagnant in the United States and without significant foreign investment, the other technologically dynamic and with substantial direct foreign investment. But both involve declining manufacturing capability and employment in the U.S. Why have these sectors (and others) grown uncompetitive? Volk's answer is complex, turning on both domestic and international factors, and considerations of industry structure and strategic decisions of the firms within the two industries.

Contrary to the claims of the industry itself, the U.S. steel industry has grown uncompetitive not because of "dumping" by Japanese and European producers but because of its failure to introduce technological innovations as rapidly as its major international competitors. This in turn arose, Volk argues, because of the oligopolistic structure of the U.S. steel industry in the years before it faced international competition (though he also indicates that the higher dividend pay-out rates of the U.S. firms in comparison with Japanese firms, and simple corporate mismanagement, also played a role). A different set of factors explains the decline of manufacturing in the electronics industry. Here the U.S. firms have maintained technological pace, but to retain competitiveness they have moved a significant percentage of their manufacturing capacity to foreign subsidiaries in low-wage countries.

Volk focuses his analysis to assess the consequences of the restructuring of the world economy for workers in the United States and to consider what steps the U.S. government might take with regard to the growing uncompetitiveness of U.S. industry. His conclusions are not cheery. So far as Volk can see, the outcome for labor will be lower wages, intensification of the work process (speed-up), and a threat to collective bargaining rights.

Moreover, he expects little help from the government to ameliorate the predicament of American workers. "The government is increasingly likely," he argues, "to act in concert with industry to ensure, essentially, that the weakest sectors of capital are sacrificed in the interests of the stronger" (p. 121). But weakest and strongest in what sense—political? technological? financial? One should not assume that technological or financial dynamism in new industries translates smoothly and quickly into political power to shape government policy. He goes on to argue, provocatively but without compelling evidence, that "the state, in a sense, determines the *pace* of industrial restructuring through its numerous commercial, aid, fiscal and monetary policies, but competition within the industry itself will determine the *outcome*" (p. 121, emphasis added).

Volk's analysis, while penetrating in many regards, is nowhere weaker than when he touches upon political matters. He accords very little independent role to political factors, and he is barely concerned with what domestic political consequences may follow from the restructuring of the world capitalist system. The peculiar U.S. version of social democracy has rested upon a political alliance, forged in the New Deal, between capital and labor in such key sectors as steel and automobiles. In steel, where foreign competition poses a threat to both capital and labor, this alliance remains intact; but what is happening in those sectors such as electronics or automobiles where transnational corporations are furthering the loss of U.S. jobs by moving production abroad? What will be the consequences for the coalitions at the foundations of American politics?

A more politically sophisticated analysis of the international restructuring of manufacturing sectors is provided by Peter Evans's essay on "Shoes, OPIC and the Unquestioning Persuasion: Multinational Corporations and U.S.-Brazilian Relations." Evans is first concerned to explain a key choice of development strategy in the early 1970s in Brazil: to expand manufactured exports rather than to pursue deepening of the industrial structure. His analysis turns on the increased penetration of the Brazilian economy by multinational corporations, and the political conflicts that this engendered as Brazilian industrial activity increased but the share of Brazilian-owned firms in manufacturing decreased. The choice of an export route eased the political tensions between "nationalist" and "internationalist" segments of the national bourgeoisie in Brazil ("it is both attractive to multinationals and not threatening to local capital," p. 333), but sparked increasing tension between Brazil and the United States as imports of manufactured goods from Brazil (along with those from other newly industrializing countries [NICs]) further threatened the U.S. trade position and U.S. employment in several manufacturing sectors.

By this route Evans's attention is drawn back to the United States: "the postulated result," he argues, "is an increasing disjunction between the multinationals and the political apparatus of their home state" (p. 334), as the MNCs become the vehicle by which manufacturing capacity is shifted

from the U.S. to Brazil and other NICs. “The internationalist front”—the uniform support of business, labor, and government for unimpeded world flows of goods and capital—“has begun to develop some cracks” (p. 334), he argues. Evans finds some evidence for his postulated “increasing disjunction” in interviews with executives in firms in the shoe industry (an industry particularly hard hit by import competition) and in examination of the congressional fight in 1977–78 over the renewal of the Overseas Private Investment Corporation, the government insurance program to protect the foreign holdings of U.S.-based firms. But it is fairer to say that what he finds is less the division of the capitalist class in the United States into “internationalist” and “nationalist” segments than the very beginnings of doubting the “naive and unquestioning persuasion” (Veblen’s phrase) that what is good for U.S.-based corporations is good for the United States. Nevertheless, “no matter how carefully qualified or tentatively stated, the implications of the argument remain radical” (p. 335), he concludes, because they suggest a possible dramatic restructuring of political alliances within the United States.

## ii. Finance

“Perhaps most striking is the enhanced role of the private banks and the international financial institutions,” Fagen writes in surveying the cast of actors that figure prominently in the case studies (p. 13). For the most part, the focus on international financial institutions concerns the consequences of their behavior in less developed countries. But what of their situation at home in the United States or in the other core countries of the world capitalist system? Frenkel and O’Donnell’s brief, appended review of the beginnings of the IMF’s orientations and functions in the late 1940s is at best suggestive of what sustains these orientations today, particularly because of dramatic changes in the last decade. These changes—the increased international scale of activities of the major banks, the dramatic surge in international liquidity stemming from the OPEC price hikes, the consolidation of the Euromarkets, the increased lending to governments of less developed countries, the increased use of electronic facilities—have significantly transformed the character of banks and of financial markets.

A number of issues warrant exploration. The regulatory apparatus of the U.S. federal government toward banks, created in the 1930s to constrain private power, has been called into question by two different circumstances. On the one hand, the Euromarkets permit the circumnavigation of some of these regulations by the large transnational banks; on the other hand, the regulatory scheme in force in Japan allows much closer cooperation between banks and industrial firms in the financing of manufacturing ventures—a factor in the competitive edge of some Japanese corporations. What would be the consequences of the alternative proposals for regulation and deregulation?



lation of banking in the United States that are likely to be proposed, and what political coalitions will form around each of them? To take another issue: the fiscal difficulties of state and local governments in the U.S. federal system in recent years have made these political entities far more dependent upon financial institutions to maintain solvency. The formation of New York City's Metropolitan Assistance Corporation, with power to veto spending measures passed through normal governmental channels if the Corporation considers them fiscally unsound, is the clearest example. Though the consequences can be expected to be less draconian, there is a clear parallel that warrants exploration between these situations and the orthodox stabilization programs insisted upon by the IMF in approving standby agreements with less developed countries.<sup>23</sup>

### iii. Energy

Nowhere is the increased international vulnerability of the U.S. political economy more readily apparent than in questions of energy. That topic enters the Fagen volume only through a comprehensive recounting of protracted negotiations over the sale of natural gas to the United States by Mexico. In late 1977 Energy Secretary Schlesinger refused to approve an agreement signed by six American gas-transmission companies to purchase gas from PEMEX, the Mexican state-owned oil and gas monopoly, because the price agreed upon was significantly above the regulated price of natural gas in the United States. Two years later, however, after the President and the Congress had finally approved an energy bill providing for the decontrol of natural gas prices, a new agreement was reached that did accord the Mexicans a price approaching the one they had originally insisted upon.

Because of the peculiarities of this case and because Fagen and Nau's discussion sticks very close—too close—to the specifics of their narrative, only a very few of the complex array of political economic questions that energy matters raise in the United States are addressed. But their discussion does underscore two fundamental points. First, it provides a telling illustration of the decline of U.S. hegemony: the United States proved unable to dominate its neighbor to the south in ways that it had been accustomed to in the past. Second, it demonstrates that while the choices made concerning energy within the current constraints will work a dramatic transformation on the United States over the next quarter century, energy problems and solutions “are ultimately reflections of more fundamental patterns of politics and economic conditions in these two societies” (p. 422). The force of this point is best seen by calling to mind Amory Lovins's arresting argument that

<sup>23</sup> See Martin Shefter, “Organizing for Armageddon: The Political Consequences of the New York City Fiscal Crisis,” paper presented at the American Political Science Association annual meeting, Washington, D.C., August 1980.

the United States faces a fundamental choice between a hard energy path, which uses nonrenewable fuels (fossil and nuclear) to generate electricity in centralized, large-scale sites, and a soft energy path, which relies on an array of technologies using renewable sources in small, decentralized projects with the source closely matched to end-use needs. This choice, which can neither be avoided nor compromised, Lovins argues, entails wide-reaching consequences. The hard path, he claims, will lead to centralization, concentration of economic and political power, greater inequality, increasing foreign and domestic security concerns, and the undermining of democracy through increased reliance on elitist technocracy. The soft path, by contrast, is claimed to nurture a more participatory, decentralized, and democratic form of society.<sup>24</sup> The Lovins argument is important in showing the limits energy structures might place on political outcomes; but while it stresses the importance of choice and action in the present, it tends toward a kind of determinism and forecloses choice and action in the future. Fagen and Nau are right to conclude from their case that “existing structures of political and social life” are likely to shape the resolution of energy related matters “at least as much as energy itself is likely to affect basic political and social developments” (p. 423).

### *Prospects for American democracy*

If we draw together these various glimpses of the changing international economic order as they affect the United States, what are the implications for democracy? What kinds of challenges is U.S. democracy likely to encounter in the next decade? Is there a danger of some form of authoritarianism? Might political and economic elites be tempted by solutions to political-economic stresses that they have acquiesced in or fostered in Latin America?

We see, first, the elements of a kind of political economic crisis: not just energy worries, stubborn inflation, and a stop-and-go pattern of stagnating economic growth but also the decline of several major manufacturing sectors on which economic development in the United States has centered in this century. Even where U.S. firms remain preeminent, the transnationalization of their operations has furthered a restructuring of the international division of labor in which the United States no longer has such a privileged position. Changes in other crucial sectors like banking and energy hasten this reorganization of the world economy and of the decline of American hegemony. While the pieces of this crisis are apparent enough, and despite several general formulations, we do not yet have a satisfactory understanding of the current predicament (less of the consequences for specific domestic actors,

<sup>24</sup> Amory Lovins, *Soft Energy Paths: Toward a Durable Peace* (Cambridge, Mass.: Ballinger, 1977); cf. Barry Commoner, *The Politics of Energy* (New York: Knopf, 1979).

and still less of their likely courses of action). What does seem clear is that this crisis must be seen in international context and that it does not emanate from any single cause or contradiction.

What we see second, and this is perhaps the most striking conclusion to emerge from the Fagen volume, is the limited degree to which dominant actors grasp the character of the changes that are sweeping them along. Instead, there is a determined clinging to ideological visions adequate to guide action in the past but that may now work to the detriment of those who previously were so well served by them. There is more than the resurgence of Cold War liberalism, despite the passing of the material conditions that first nurtured it. Peter Evans searches diligently for the formation of a protectionist "nationalist" coalition among the smaller domestic entrepreneurs and labor that have been harmed by international trade in recent years. He finds it hard to locate. In the domestic shoe industry, particularly injured by import competition, local manufacturers have tried to find safe specialty niches or to leave the industry altogether. "Even those who see themselves as engaged in a battle for survival in which their major opponents are foreign lack an ideological framework which might lead them into 'nationalist politics' " (p. 325). Instead, they continue to espouse an internationalist position (sometimes scapegoating the "decline of American craftsmanship"), or they become resigned and stoic. The internationalist ideology that has dominated U.S. business circles has been attacked more in the Congress ("in anticipation of pressure from affected interest groups more than as a result of such pressure") than even by labor. The AFL-CIO, for example, became involved in the congressional debate over OPIC only after it had become controversial. Only very slowly has organized labor begun to question its espousal of the internationalist position of Cold War liberalism.

And we see, third, a variety of features of the social and political landscape in the United States that make difficult a satisfactory adjustment to the currents of change in the world capitalist system even if there were a clear perception of the need for change. These can be seen to stem largely from "low stateness" and "low classness," the features that mark the distinctiveness of the U.S.A. in comparison with other welfare states. "Low stateness" makes difficult any planning or coherent program of industrial policy to revive manufacturing activity in the United States. It also impedes any effort to allocate losses from the current crisis equitably across the population. With "low classness" it makes it easier for groups to prevent change desired by others than to promote changes of benefit to themselves. These long-standing features of American exceptionalism worked to slow (in comparison with European countries) the transition of the United States toward a welfare state in response to a different crisis earlier in the century, until a broad cross-class coalition was assembled in the 1930s. The changes in the international political economy have served (and are serving), however, to dismember what remains of this New Deal *cum* Cold War coalition. The correspondences of interest that welded it together no longer obtain. But far

from being able to locate a new dominant coalition with a fresh vision of the future shape of the U.S. political economy, we see the persistence, even the nostalgic recovery, of Cold War liberalism in a world very different from the one in which that ideology first took hold. The 1980 election, as Walter Dean Burnham has argued, involved not a “critical realignment” but a “classic electoral case of conservative revitalization politics.” “The decay of empire and economy, taken together, has created optimal conditions for skilled conservative political entrepreneurs to offer the most consoling and least disturbing way out of the impasse. . . . Rhetorically, at least, the Reagan campaign promised something of a return to two supposedly golden ages: the 1950s internationally and the 1920s domestically.”<sup>25</sup> The Carter administration was judged inadequate by the electorate: “the 1980 election was a landslide vote of no confidence in an incumbent administration.” It is very unlikely that the Reagan political program can prove adequate to the changed reality of the United States.

The currents of change in the world capitalist system are altering the bases of power and interest of U.S.-based actors. If the difficulties that these changes create prove intractable to the normal channels of governance, what we face is the prospect of frustration and stalemate that could threaten democracy in the United States. While it is conceivable that a major national security crisis could bring about a dramatic suspension of political rights and democratic procedures, we are far more likely to see the slow erosion of democracy than its sudden collapse. The present U.S. commitment to democracy is an equivocal one, the normal channels of governance blending some undemocratic elements with the democratic institutions and processes that have been the source of national confidence and pride. Prolonged stalemate could lead to the erosion of democracy in either of two ways: via the circumnavigation of democratic channels or via the control and manipulation of participation to make conflict more manageable.

#### i. Circumnavigation and depoliticization

When policy issues become stalemated between the Congress and the Executive Branch (or within either), the extraordinary character of the crisis may lead some actors to look to resolve problems in other ways, ways that circumnavigate the constitutional channels. These “other ways” might be thought by all concerned to be extraordinary mechanisms for one-time use only, but if they succeed they may suggest themselves for use again. Moreover, while the problems they are designed to solve may look unusual and idiosyncratic when they first appear, they may in fact be harbingers of recur-

<sup>25</sup> Walter Dean Burnham, “The 1980 Earthquake: Realignment, Reaction, or What?” in Thomas Ferguson and Joel Rogers, eds., *The Hidden Election: Politics and Economics in the 1980 Presidential Campaign* (New York: Pantheon, 1981), p. 127.

ring problems of the future. The danger to democracy is that the “extraordinary solutions” may well be significantly less democratic than the constitutional channels. When New York City found itself in fiscal crisis, the Metropolitan Assistance Corporation was created and vested with power to review and to veto all decisions of the mayor and city council with significant budgetary consequences. At the national level, the Federal Reserve Board has increasingly played a central role in the management of economic policy. Both cases represent a diminution of the scope and authority of elected officials, and increasing reliance upon “depoliticized,” technical expertise.<sup>26</sup> Either or both of these may be appropriate courses of action; but such circumnavigation of normal democratic channels may become increasingly frequent, and less and less of importance will be settled through democratic processes. Those impatient with the stalemates of democratic processes may even argue that certain issues or policy areas be permanently depoliticized—removed from decision by political institutions and redefined as issues to be resolved through the market or through technical-scientific expertise.

## ii. Incorporation and controlled participation

Alternatively, stalemate might contribute to the erosion of democracy through efforts to transform the normal channels of government so that they can once again function but in ways that are no longer genuinely democratic. Participation by the broad mass of the citizenry might be encouraged, not just tolerated; but it would be participation within constraints, and gradually and increasingly controlled from above. Certain positions might be defined as irresponsible—in the name of national security, for example—and cease to be topics of legitimate political discourse. Leaders of popular organizations might be coopted or carefully selected replacements maneuvered to succeed them; activities of these organizations might then be orchestrated and channeled. The result would be a superficial appearance of democratic participation, but demands would be limited to those which could easily be accommodated. Stalemate would be avoided, but at the cost of genuinely free democratic participation. Corporatist institutions and techniques have been largely unknown in the United States, but some current proposals to reinvigorate the U.S. economy have potentially corporatist implications. Various proposals for tripartite committees among labor, industry, and government (such as *Business Week*'s recent call for a new Social Contract)<sup>27</sup> and certain characteristics of the Chrysler loan guarantee might be harbin-

<sup>26</sup> For a parallel discussion of deregulation and science and technology policy, see David Dickson, “Limiting Democracy: Technocrats and the Liberal State,” *democracy* 1, 1 (January 1981), pp. 61–79.

<sup>27</sup> *Business Week*, 20 June 1980.

gers of unwelcome developments. The United States might follow the more benign "societal" corporatism model of western Europe rather than the harsher "statist" corporatism of some Latin American and Latin European countries, but the lack of a genuinely social democratic party in the United States leaves this open to question.<sup>28</sup>

It is important to recognize how different this line of analysis is from another prominent diagnosis of the ailings of U.S. democracy, the "overload" thesis emerging most seminally from the work of Samuel P. Huntington. He claims that increased participation and popular expectations for social programs have led to a steady increase in the level of demands on government. This has "overloaded" the institutional capacity of the government; the basic requisites of governability are threatened. Huntington argues that the United States is suffering from an "excess of democracy" (too much participation, too many demands). Moderation in the level of demands placed on government is necessary if democracy is to be preserved. Democracy, from this perspective, is as much the problem as it is endangered.<sup>29</sup>

This is not the place for a full-blown critique of the "overload" thesis, but several of its limitations warrant mention. First, it fails to give a satisfactory account of the source of the new demands being placed on government. It says only that there has been a "surge of creedal passions" for equality. There is no sense of how the functioning of the capitalist economy in the United States creates certain problems that affected groups bring to government for assistance. The "overload" perspective tends to view the problem of U.S. democracy in narrowly political rather than in political-economic terms. Second, the "overload" perspective tends to view the United States in an insular fashion rather than as enmeshed in and affected by the currents of the world capitalist system. Third, this perspective speaks only of particularized demands being made on the government, not of coalitions based on convergent interests urging different programs for adoption. There is no conception that these coalitional *patterns* of conflict, rather than simply the *level* of demands, affect the governability of democracy. (Still less is there any conception that class-based patterns of power affect the gov-

<sup>28</sup> On the distinction between societal and statist corporatism, see Philippe Schmitter, "Still the Century of Corporatism?" in Frederick Pike and Thomas Stritch, eds., *The New Corporatism: Social-Political Structures in the Iberian World* (Notre Dame: University of Notre Dame Press, 1974), pp. 85-131. Leo Panitch voices doubts, however, "whether state coercion, at least in the form of repressing rank-and-file actions and insulating union leadership from its effects, is not a sine qua non of establishing stable corporatist structures." See "The Development of Corporatism in Liberal Democracies," *Comparative Political Studies* 10, 1 (April 1977) p. 68

<sup>29</sup> Samuel P. Huntington, "The United States," in Michel Crozier, Samuel Huntington, and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press, 1975). For other formulations of the overload thesis, see Samuel Brittan, "The Economic Contradictions of Democracy," *British Journal of Political Science* 5 (1975); and Samuel Beer, "Political Overload and Federalism," *Polity* 10 (Fall 1977), pp. 5-17.

ernability of democracy.) Finally, there is no role for ideology in this argument—no concern that actors will perceive their interests (and those of others) through the lens of ideologies that may be inadequate to a changing reality or that may make it impossible for coalitions to form a basis for stable governance. The overload thesis, in short, provides only a deeply flawed understanding of the prospects for democracy in the United States. In contradistinction to the approach we have been sketching, analyses like Huntington's miss the peculiar problems of government in capitalist democracies, fail to grasp the international character of capitalism, ignore the coalitional bases of American democracy, and are blind to the importance of ideology.

Our discussion has taken us some considerable distance from Latin America, but two points of connection should be stressed by way of conclusion. First, while it is a commonplace that development opportunities in Latin America are conditioned by actors and structures based in the United States, there has been insufficient attention paid to how the changing role of the U.S. in the world economy is significantly altering the development context for Latin American countries. The slowing of growth in the United States, the decline of key industrial sectors, the possibility of protectionism—all these have implications for what development strategies can successfully be pursued. The second point is a political cognate of the first: nothing is so important for democracy in Latin America as the health of democracy in the United States. It is not just that democratic processes in the U.S., particularly the congressional check on the Executive, serve in some instances to restrain U.S. foreign policy from actions that might further embattle democracy in Latin America; the continuing vitality of democracy in the United States serves to buoy the hopes of those who struggle for democracy in Latin America. Were democracy to be eroded in the U.S., prospects for democracy in Latin America would be dimmed as well.

We are not *predicting* the erosion of democracy in the United States. The country's changing place in the world economy is placing serious tensions on democracy. But if there are structural limits there are also choices to be made within those constraints. Prediction would presuppose a deterministic methodology that denies the free action that genuine democracy entails. Methodological issues cannot be separated from substantive ones. Our aim, rather, is to direct research attention to the consequences for the U.S. of the changing international economic order, particularly the consequences for democracy in the United States, and to insist that research must not only be refocused in certain substantive directions but also reoriented methodologically along the lines of the historical structural approach that characterizes many of the studies in the two volumes under review.

The viability of democracy is a question that should be addressed from an international political-economy perspective—from a perspective that attends to how the dynamics of capitalism in a particular context alter the

conditions that make democracy more and less possible. In Latin America, as the Collier volume shows, the dynamics of capitalism are seen on a global scale; the contributions to the Fagen volume begin to address the political economy of the United States in the same manner. What is needed now is research that attends to the problems thrown up for U.S.-based actors by the changing role of the United States in the world capitalist system; that attends to the opportunities and the constraints on key actors which emanate from these changes; that attends to the political programs which they seek to carry forward; and that attends to the consequences of these for democracy in the United States.