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*THE RETURN OF THE
CAPITALIST-AUTHORITARIAN GREAT POWERS*

Democracy emerged victorious from all of the great power struggles of the twentieth century, defeating authoritarianism, fascism, and communism alike. What accounts for this decisive outcome? It is tempting to look for its roots in the special traits of liberal democracy. It has long been believed that liberalism and democracy were inextricably intertwined with the process of modernization. According to this view, recently re-amplified by Francis Fukuyama, industrialization, urbanization, the rise of the middle class, the spread of education, and ever-greater affluence fostered and, in turn, depended upon a free society.¹ There was in effect only one sustainable route to modernity. Liberal democracy has supposedly possessed intrinsic selective advantages, which confer an air of inevitability on the past as well as on the future, and give much cause for optimism. If 'world history is the world's court', as Hegel put it, then History's verdict appears clear-cut. But is it really, or might the owl of Minerva encounter optical illusions and its current point of flight prove as transient as any other?

We begin with the audit of great power conflict and war that was so central to twentieth century history. Did the liberal democracies survive all rivals because they possessed a greater ability to elicit cooperation through the bonds of the global market system? This is probably true with respect to the Cold War, but does not seem to apply to the world wars period, when the system turned protectionist. Did liberal democracies succeed because ultimately they always stuck together? Again this may have applied mostly to the Cold War, when the democratic-capitalist camp also profited from the growing antagonism within the communist bloc between the Soviet Union and China. During World War I, however, the ideological divide was much weaker than it would later become. The Anglo-French alliance was far from preordained. Only shortly earlier, power politics had brought these bitterly antagonistic countries to the brink of war and prompted Britain to seek an alliance with Germany. Liberal Italy's departure from the Triple Alliance and joining of the Entente despite its rivalry with France was a function of the Anglo-French alliance, as Italy's peninsular location made conflict with the leading maritime power, Britain, highly undesirable. During World War II, France was quickly defeated, whereas the right-wing totalitarian powers fought on the same side.²

Nor did the democracies hold a moral high ground that inspired greater exertion from their people.³ During the 1930s and 1940s, fascism and Nazism were the exciting new ideologies that generated massive popular enthusiasm, whereas the democracies stood on the ideological defensive, appearing old and dispirited. If anything, the fascist regimes proved more inspiring than their democratic adversaries in war, and the battlefield performance of their militaries is widely judged to have been superior. France quickly collapsed in 1940, but Germany and Japan fought desperately to the last.

Did the liberal democracies ultimately prove more effective in economic mobilization for war? All the belligerents in fact proved highly effective in mobilizing their societies and economies for total war. Semi-autocratic Germany during World War I committed its resources as intensively as its liberal rivals. After its victories during the initial stage of World War II, Nazi Germany's economic mobilization proved lax and poorly coordinated during the critical years 1940-2.⁴ The reasons for this fateful failure are not easy to explain, but are at least partly attributed to structural problems of competing authorities inherent in Germany's totalitarian regime. All the same, from 1942 on, Germany's highly intensified mobilization levels caught up with and surpassed those of the liberal democracies in terms of the share of GNP devoted to the war. Imperial Japan's levels of mobilization during World War II, and those of communist Soviet Russia, similarly grew higher than those of the liberal democracies by means of ruthless efforts. As historian Niall Ferguson recently concluded, the totalitarian regimes demonstrated greater ability than the liberal democracies to mobilize for war, which gave them a considerable military advantage.⁵

So why did the democracies win the great struggles of the twentieth century? There is a difference here between their communist and capitalist adversaries. The defeat of communism had much more to do with deep structural factors. The Soviet system, which had successfully generated the early and intermediate stages of industrialization (albeit at a horrendous human cost) and excelled at the regimentalized techniques of mass production during World War II, kept abreast militarily during the Cold War. But because of the system's rigidity and lack of incentives, it proved ill equipped to cope with more advanced stages of development and the diversified economy of the information age. Together, the Soviet Union and China were larger, and, therefore, had the potential to be more powerful than the democratic-capitalist camp. Ultimately, as both communist China and the Soviet Union found their system inefficient, the communist bloc practically dismantled itself, irrespective of their militarized conflict with the capitalist-democratic world.

By contrast, there is no reason to suppose that capitalist nondemocratic Germany and Japan, had they survived the world wars, would have proven as inefficient as the communist great powers. The liberal democracies did not possess an inherent advantage over Germany in terms of economic and technological development, as they did in relation to their other great power rivals. So why did the capitalist nondemocratic powers, Germany and Japan, lose? In the final analysis, they were defeated in war because they were medium-size countries with limited resource base that came up against a far superior but hardly preordained economic-military coalition of the democratic powers and Russia/the Soviet Union. Whereas the communist powers failed because their economic systems limited them, the capitalist authoritarian and totalitarian powers, Germany and Japan, were defeated because they were too small. Contingency played a decisive role in tipping the balance against them and in favor of the democracies.

The most obvious and decisive of these contingent factors was the United States. After all, it was little more than a chance of history that this scion of English liberalism would sprout on the other side of the Atlantic, institutionalize its liberal heritage with independence, and then expand across the most habitable territories of the Americas, thinly populated by tribal natives, while sucking in massive immigration from Europe. It was but a chance of history that by far the world's largest concentration of economic-military power was thus created on a continental scale. Obviously, the United States' liberal regime had a lot to do with that country's economic success and even with its size, because of its attractiveness to immigrants; yet if the United States had not been located in a particularly fortunate and vast geographical-ecological niche, it would scarcely have achieved its great magnitude in population and territory, as Canada, Australia, and New Zealand demonstrate. Thus, contingency was at least as responsible as liberalism for the United States' emergence in the New World and, hence, for its later ability to 'rescue the Old World', as Winston Churchill put it. Throughout the twentieth century, the United States' power consistently surpassed that of the next two strongest states combined, and this decisively tilted the global balance of power in favor of whichever side Washington was on.

Put differently, if it were not for the existence of the United States, the liberal democracies would most likely have *lost* the great struggles of the twentieth century. As a start, Britain and France would have probably lost to Germany in either of the two world wars. This is a sobering thought, making the world created by the twentieth century's conflicts appear much more contingent - and tenuous - than unilineal theories of development and the Whig view of history as Progress would have us believe. History is written by the victors. We are inclined to rationalize backwards, but the lessons of history are a tricky thing.

Capitalism has indeed proven to be an unbeatable power engine. It has expanded relentlessly since early modernity, its lower-priced goods and superior power eroding and transforming all other socioeconomic regimes, as memorably described by Karl Marx in the *Communist Manifesto*. Contrary to Marx's expectations, capitalism had the same effect on communism, eventually 'burying' it without a shot being fired. Despite voices of gloom following the recent global economic crisis, capitalism – readjusted and reformed – is likely to remain unrivaled. On the other hand, the evidence regarding democracy's advantage has been more ambivalent, particularly in comparison to nondemocratic capitalism.

Of course, the test of war is not the only one that societies undergo. One can ask how the capitalist authoritarian and totalitarian powers would have developed had they not been defeated in the world wars. Would they not in time and further development have shed their former identity, as the communist regimes eventually did, and perhaps even embrace liberal democracy?

As these major historical experiments were cut short by war and their future trajectories remain a matter of speculation, scholars turn to the peacetime record of other authoritarian-capitalist regimes that survived in the post-1945 period. Studies that cover this period show that democracies generally outdo other systems economically; yet that capitalist authoritarian regimes are at least as successful - if not more so - in generating development.⁶ The capitalist authoritarian regimes of east Asia in particular stand out, outperforming democracies in generating development. All the same, it is generally agreed that capitalist authoritarian regimes tend to democratize after crossing a certain threshold of economic and social development. This seems to have been a recurring pattern: in east Asia, southern Europe, and Latin America.

However, the attempt to deduce a general pattern of development from these findings may be misleading, because the sample set is 'skewed'. Since 1945, the enormous gravitational pull exerted by the United States and the liberal hegemony has bended patterns of development worldwide. As the capitalist authoritarian great powers, Germany and Japan, were crushed in war and democratized, those smaller countries that chose capitalism over communism remained with no rival model to emulate and with no powerful international players to turn to other than the liberal. Their democratization after reaching a certain level of economic development was probably as much a result of the overwhelming influence of the Western-liberal hegemony as of internal processes. Presently, Singapore is the only example of a truly developed economy that still maintains a semi-authoritarian regime. But are Singapore-like great powers that prove resistant to the influence of the liberal order possible?

This question becomes highly relevant with the emergence of new nondemocratic giants, above all the formerly communist and fast industrializing authoritarian-capitalist China. Russia, too, is retreating from its post-communist liberalism and assuming an increasingly authoritarian character. Will these countries ultimately converge into the liberal democratic range, or are they big enough to chart a different course and challenge the hegemonic model, creating a nondemocratic but economically advanced and militarily powerful new Second World?

Unlike Germany and Japan, China is *both* the largest player in the international system in terms of population and is experiencing spectacular economic growth. By shifting from communism to capitalism, China has switched to a far more efficient brand of authoritarianism. Judging by the earlier dazzling development of other east Asian 'tigers', China's swift growth is expected to continue (even if in a decreasing rate) until China radically narrows or even closes the economic gap with the developed world, thereby becoming a true nondemocratic superpower.

Naturally, all the old questions regarding the viability of a different course to modernity, other than the liberal democratic one, resurface. We begin with the economic aspect. It is widely contended that un-free societies may excel in mass manufacturing but not in the advanced stages of the information economy that require an open and individualistic culture. However, Imperial and Nazi Germany stood at the forefront of the scientific and manufacturing economies of its time. Japan was still

behind the leading great powers in terms of economic development in 1941, but its growth rate had been the highest in the world. This past record may be judged irrelevant to the information age; yet nondemocratic Singapore has a highly successful information economy.

Skepticism regarding the sustainability of Russia's oligarchic and kleptocratic capitalism is the most warranted. Critics point out that Russia's surge under Putin has been built on the bonanza in the price of oil and gas, which is economically limited and may already be proving temporary. Despite its new assertiveness, Russia remains a poor and, on the whole, weak country, and is unlikely to break through to the rank of the advanced economies unless it is able to revive its manufacturing sector, building on its educated work force. This in turn requires secure property rights and a stable rule of law, in Russia as in China, something emphasized by the new President Medvedev. Germany was semi-authoritarian until 1918, and yet it had a very strong rule of law. The same applies to Japan until 1945.

China is by far a more important and challenging test case than Russia. It is much larger, and its manufacturing-driven growth has been spectacular. It is widely contended that because of a lack of political accountability and transparency China will increasingly feel the ill effects of 'crony' favoritism and corruption, already much in evidence today, as they are in most developing economies. However, as Alan Greenspan, the former Chairman of the US Federal Reserve Bank, writes, Singapore is one of the *least* corrupt states in the world,⁷ as, indeed, was Imperial Germany and its Prussian predecessor. It has become an axiom that corruption is inevitable in the absence of democratic transparency and accountability. Yet for Max Weber, Prussian-German bureaucracy became paradigmatic, and it was, indeed, proverbial for its efficiency and clean hands.

It is also widely contended that economic and social development creates pressures for democratization that an authoritarian state structure will not be able to contain. Michael Mandelbaum, for example, argues that people who become used to exercising consumer choice in every decision of their daily life, would grow to demand the same right politically. Thus nondemocratic capitalist regimes are based on an internal contradiction that inclines them to implode.⁸ His argument appears very convincing, until one remembers that life is full of contradictions and tensions that do not necessarily implode. Capitalist democracy itself is a combination that has always been torn between the great economic inequality generated by capitalism (which also biases the democratic political process) and democracy's overwhelming egalitarian drive.⁹ This tension was so stark that socialists throughout the nineteenth and much of the twentieth centuries regarded it as an irreconcilable contradiction that was certain to doom capitalist democracy and preordained socialism – economic democratization - as the wave of the future. In the meanwhile, some of the tension has been alleviated through the institution of the welfare state. And yet the tension has always remained very close to the surface, occasionally bursting out. In real life then, people regularly live with tensions and contradictions, and the question is which of these prove to be more significant and irreconcilable.

Contrary to perception in the West, liberal democracy is not merely a neutral mechanism for choosing between values; it is itself an ideological choice, incorporating a whole set of values that many societies and cultures find to be deeply in conflict with other values they cherish more dearly. Some traditional values are incompatible with modernity, but other may be more compatible.

In the early twentieth century criticism was mounting against democracy's perceived weaknesses and vices: open social strife and divisive party politics; erosion of communal identity and sense of common purpose; atomistic individualism; shallow materialism, vulgar mass culture, excessive promiscuity, and decadence. With victory and prosperity, public consensus in the West grew to regard these traits as either good things or as the cost side of a highly successful system whose virtues far outweigh its vices. Yet in other parts of the world people are less sure. There is a widespread perception of rootlessness and lack of meaning associated with liberal individualism, and great yearning for a 'thicker' spiritual and communal way of life even in the West, let alone in other parts of the world. In the past, such sentiments were responsible for fascism's great attraction and powerful spell, but this does not mean that they cannot take more benign forms.

Throughout east Asia, the world's fastest developing and most populous region, there is a widely voiced public sentiment in favor of 'Asian values', promoted against Western cultural imperialism. East Asia is one of the oldest centers of civilization, and its particular geopolitical conditions and historical trajectory gave rise to a greater emphasis on group values, social harmony, and hierarchy, usually associated with Confucianism, the region's dominant spiritual system. While cultures and social values are not immutable, of course, nor are they inconsequential 'superstructures'.

Japan is in some ways a revealing example, precisely because it was so successfully democratized by the US more than half a century ago. For practically the entire period of Japanese democracy (except for one short break between 1993 and 1996), the same party, the conservative Liberal Democratic Party, ruled the country. It has survived in power despite pervasive favoritism, periodical scandals, closed innercircle politics, and national economic downturns. This record is very unusual by modern Western standards, and it would be hard to deny that it has at least something to do with the country's cultural traits. Japan's strong group values also make it one of the least unequal societies in the world economically, together with the Scandinavian countries, other successful 'deviants' from the standard capitalist form.

If Japan, historically the most adaptive of east Asia's civilizations that has been most directly and thoroughly transformed by defeat and by American occupation and is genuinely democratic, reveals such a distinctive difference in its socio-political behavior, what might one expect from a country like China, which is undemocratic, giant, unconquered and unconquerable, historically proud and self-centered, and driven in modern times by an overriding desire to revive its former glory and reassert its cultural self against hegemonic pressures from outside?

A defining feature of today's China - and Russia - is that they are in a process of transition, indeed the *beginning* of transition, with both countries leaving behind a communist system that was defunct and bankrupt and looking for a way into a future which is not yet clear to them. Unlike Russia, China is still ruled by a communist party, which in reality is no longer communist. The Party's *raison d'être* and source of legitimacy since the beginning of market reforms in the late 1970s have been successful economic modernization and the maintenance of social stability during that process. The Party is highly pragmatic and is ready to adopt any measure that would sustain it in power and continue the process.

Without ideological legitimacy and a guiding ethos no regime can stand for long, and China's official communist ideology is no longer believed by anybody. This is a critical challenge. A possible ideology for China would emphasize Chinese ways, incorporate Confucian values of meritocracy, hierarchy, public service, social order and harmony, and be presented as a contrast to foreign liberal divisiveness and individual egotism. This has been dubbed mandarin rule without an emperor. In addition, there would be nationalism, not only in the negative sense of a rebellion against the dominance of other cultures, but also in the 'positive' sense of people looking for a source of identification with their society, people, and culture, a sentiment which some feel is not sufficiently manifest in liberal democracies.

Institutionally, the regime in China is continuously broadening its base, coopting the business elite into the party, democratizing the party itself, and experimenting with various forms of popular participation, including village and some town elections, and public opinion surveys.¹⁰ The internet is widely utilized in these experiments, as well as being heavily and quite effectively censored.¹¹ Analysts have dubbed these experiments 'deliberative dictatorship'. Presently, the regime is treading cautiously, being deeply aware of its vulnerability and of China's still low levels of development. But it is equally aware that if China's road to modernity proves successful, both the country and its regime would gain enormously in power, pride, self-confidence - and legitimacy.

There need not be formal camps on the pattern of the Cold War for the new authoritarian-capitalist model, if successful, to gain adherents. Even in its current bastions in the West, the liberal political and economic consensus may be vulnerable to the effects of a crushing economic crisis that could disrupt the global trading system (this was originally suggested before the current crisis broke out). It may also be vulnerable to a resurgence of ethnic strife in Europe, increasingly concerned by immigration and national minorities. And if the hegemonic core is shaken, other parts of the world - where adherence to liberalism and democracy is more recent, incomplete, and insecure - might be more deeply affected. Southeast Asia and Latin America - as well as central Asia, the Middle East, and Africa - are particularly susceptible to the capitalist nondemocratic model. In many of these regions Chinese economic involvement by way of trade, investment, and development is booming, and it comes with no strings attached, no requests to reform the domestic system, and no humanitarian criteria to meet.

Critics argue that capitalist authoritarianism has no universal message to offer the world, nothing attractive to sell that people can aspire to, and hence no 'soft power' for winning hearts and minds. But there is a flip side to the universalist coin. Many around the world find liberal universalism oppressive, dogmatic, and intrusive. Resistance to a 'uni-polar' world concerns not only American power but also the hegemony of human rights liberalism. There is a deep and widespread aversion in non-Western societies to being lectured by the West.¹² Capitalist nondemocratic China offers not only a policy of non-interference but also a message of particularism, international ideological pluralism, state sovereignty, strong state involvement, and indigenous cultural development.

A message need not necessarily be formulated in universalistic terms to have a broader appeal. Again, consider fascism during the 1920s and 30s. This was a very particularistic creed: it was nationalistic, based on 'my country'. Still, it had a lot of devotees and people who imitated it outside Italy, Germany, and Japan. Everybody applied it to his own particular country and society. Likewise, a message might be deeply Chinese, deeply east Asian, and still be appealing to other societies that might reject the liberal model. Asian spiritual systems have enjoyed great popularity in the West. A fast growing number of people are taking up the study of Chinese, and the revival of China's rich cultural heritage in movies, music, and other cultural forms could resonate as powerfully as India's Bollywood.

One feels obliged to refer to the current global economic crisis. Analogies with the 1930s are inevitable. Having been the world's only superpower and widely envied model of success during the 1920, the United States suffered a crushing blow with the Great Depression, withdrew inwardly, and left the scene to fascist and communist totalitarianism that thrived on the apparent failure of capitalist democracy. One dares predict that the current economic crisis and its repercussions will not be nearly as catastrophic. Capitalism will be adjusted and amended both domestically and internationally. The United States will need serious domestic reconstruction, but it will remain the paramount power also after the crisis, while avoiding isolationism. Hopefully, the world will also resist protectionist pressures. At the same time, the global allure of state-driven and nationalist capitalist authoritarianism may grow considerably.

I am not a prophet and I do not pretend to predict whether or not China would eventually democratize and Russia reverse its retreat from democracy. What I suggest is a different reading of 20th century history, and the claim that the democratization of major actors such as China and Russia and hence the face of the future are far from preordained. Twenty-first century international relations might be dominated by the existence of different, and possibly opposing, systems. The near total dominance of liberal democracy since the Soviet Union's collapse could be short-lived, and a universal 'democratic peace' may still be far off. I am afraid the future is unlikely to be boring after all.

¹ The idea goes back to the nineteenth century, but the modern argument was seminally made by Seymour Lipset, *Political Man*, New York: Anchor, 1963. More recently see Francis Fukuyama, *The End of History and the Last Man*, New York: Free Press, 1992; Michael Mandelbaum, *The Ideas that Conquered the World: Peace, Democracy, and Free Markets in the Twenty-First Century*, New York: Public Affairs, 2002; id., *Democracy's Good Name: The Rise and Risks of the World's Most Popular Form of Government*, New York: Public Affairs, 2007.

² The democratic success in war attracted considerable attention in the study of international relations and is the subject of Dan Reiter and Allan Stam, *Democracies at War*, Princeton: Princeton UP, 2002. I agree with some of this book's conclusions, *inter alia* that alliances were not the reason for the success, while differing with quite a few of its other conclusions, as seen below. More on alliance choices: Randolph Siverson and Julian Emmons, 'Birds of a Feather: Democratic Political Systems and Alliance Choices', *Journal of Conflict Resolution*, 35 (1991), 285-306; Michael Simon and Erik Gartzke, 'Political System Similarity and the Choice of Allies', *Journal of Conflict Resolution*, 40 (1996), 617-35. For a summary of the literature see Bruce Russett and John Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*, New York: Norton, 2001, 59-60, 66-8.

³ E.g. Richard Overy, *Why the Allies Won*, New York: Norton, 1996, Ch. 9. Although otherwise highly statistical in nature, Reiter and Stam, *Democracies at War*, concludes without providing any evidence that democracies proved superior in war largely because democratic troops were better motivated and therefore fought better than their rivals. At least with respect to the world wars, by far the most crucial for the fate of democracy, this conclusion finds little support in reality. For other criticisms see: Michael Desch, 'Democracies and Victory: Why Regime Type Hardly Matters', *International Security*, 27.2 (2002), 5-47. But for the main oversight, in my opinion, see n. 8 below.

⁴ Overy, *Why the Allies Won*, Chs. 1, 6-7; also, Randall Schweller, *Deadly Imbalances: Tripolarity and Hitler's Strategy of World Conquest*, New York: Columbia UP, 1998.

⁵ Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000*, New York: Basic Books, 2001, 404. For the data: Overy, 42-3, 46-8; Mark Harrison, in his (ed.), *The Economies of World War II: Six Great Powers in International Comparison*, Cambridge: Cambridge UP, 1998, 20-21, 47, 82-3, 88-9, 157-9, 257, 287. The high mobilization rates of modern authoritarian/totalitarian regimes have also been noted by Michael Mann, *The Sources of Social Power, ii. The Rise of Classes and Nation-States, 1760-1914*, Cambridge: Cambridge UP, 1993, 60.

⁶ Robert Barro, 'Determinants of Economic Growth: A Cross-Country Empirical Study', *National Bureau of Economic Research Working Paper*, 5698 (1996); Amartya Sen, *Development and Freedom*, New York: Knopf, 1999, which offers little by way of historical perspective. Theoretically see Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships*, New York: Basic Books, 2000. Niall Ferguson, *The Cash Nexus*, 348-9, 363-9, is a good summary and

analysis; also, Fukuyama, *The End of History*, 123. Two comprehensive studies, Adam Przeworski, Michael Alvarez, Jose Cheibub, and Fernando Limongi, *Democracy and Development*, Cambridge: CUP, 2000, which is excellent, and the more limited book by Morton Halperin, Josef Siegle, and Michael Weinstein, *The Democracy Advantage: How Democracies Promote Prosperity and Peace*, New York: Routledge, 2005, both fail to distinguish between capitalist and non-capitalist (including communist!) dictatorships and to account for the staggering performance of the east Asian capitalist nondemocratic economies.

⁷ Alan Greenspan, *The Age of Turbulence*, New York: Penguin, 2007, 275.

⁸ Mandelbaum, *Democracy's Good Name*, 114-118.

⁹ *Ibid.*, 96-100; Fukuyama, *The End of History*, Ch. 27; Dahl, *On Democracy*, 173-9.

¹⁰ Merle Goldman, *From Comrade to Citizen: The Struggle for Political Rights in China*, Cambridge Mass., Harvard UP, 2005; John Thornton, 'Long Time Coming: The Prospects for Democracy in China', *Foreign Affairs*, Jan.-Feb. 2008; Mann, *The China Fantasy*, many arguments in which are similar to mine. A broad survey of relevant aspects can be found in Cheng Li (ed.), *China's Changing Political Landscape: Prospects for Democracy*, Washington DC: Brookings, 2008.

¹¹ J. Damm and S. Thomas (eds.), *Chinese Cyberspaces: Technological Changes and Political Effects*; New York: Routledge, 2006; Johan Lagerkvist, 'Internet Ideotainment in PRC: National Responses to Cultural Globalization', *Journal of Contemporary China*, 17 (2008), 121-140.

¹² Robert Taylor (ed.), *The Idea of Freedom in Asia and Africa*, Stanford: Stanford UP, 2002.