Street, P. (Nov 2006). Capitalism and democracy ‘don’t mix very well’: Reflections on globalization.” *Z Magazine Online.*

Economic globalization enthusiasts like Bill Clinton, Madeline Albright, Tony Blair, *New York Times* foreign policy columnist Thomas Friedman, and the unelected officials of the World Trade Organization repeat a classic Cold War mistake by claiming that globalization is advancing two sides of the same historical coin: capitalism and democracy. One does not have to be a Marxist or other variety of radical to acknowledge basic differences and fundamental conflicts between these falsely conflated phenomena. Listen, for example, to liberal economist Lester Thurow, who writes that “democracy and capitalism have very different beliefs about the proper distribution of power. One believes in a completely equal distribution of political power, ‘one man [sic] one vote,’ while the other believes that it is the duty of the economically fit to drive the unfit out of business and into extinction. ‘Survival of the fittest’ and inequalities in purchasing power are what capitalist efficiency is all about. Individual profit comes first and firms become efficient to be rich. To put it in its starkest form, capitalism is perfectly compatible with slavery. Democracy is not.”

In a similar vein, *Chicago Tribune* economics correspondent R.C. Longworth, also no radical, writes that the “struggle of democracy and capitalism” is “at the heart” of current “debate over the global economy. In theory,” Longworth claims, “they are meant to go together, indeed to be inseparable. But democracy’s priorities are equality before the law, the right of each citizen to govern the decisions that govern his or her life, the creation of a civilization based on fairness and equity. Capitalism’s priorities are inequality of return, profit for the suppliers of capital, efficiency of production and distribution, the bottom line.”

There is plenty to criticize from a radical perspective in Thurow’s and Longworth’s more extensive formulations on the question. But Thurow and Longworth are reasonably candid and essentially correct in ways that the Clinton administration is not when it proclaims that every country in Latin America “with the single exception” of Cuba has successfully negotiated a “return to democracy.” Even the venerable right-wing think-tank Freedom House refuses to designate numerous Latin American states (including Mexico, Brazil, El Salvador, Guatemala, Haiti, Paraguay, Columbia, Peru, Ecuador, and El Salvador) as “free” and democratic countries (it does give that label to Chile, where many workers and intellectuals are still too terrified to openly express their political sentiments) just because they are capitalist.

The great western conflation of democracy with capitalism originated with the crisis of European feudalism and the great European and North American bourgeois revolutions of the 17th to 19th centuries. It reached its officially disseminated pinnacle with the Cold War, when U.S. propaganda proclaimed an all-or-nothing global division and struggle between “free world” capitalism headquartered in Washington, DC and expansionist “communist” totalitarianism headquartered in Moscow. This Cold War doctrine provided ideological cover for U.S. sponsorship of numerous pro-capitalist/pro- globalization dictatorships throughout the world. It also disguised the real nature of leading First World states. Beneath outwardly democratic political processes and generally strong civil liberties, those states were fundamentally subject to the command of centralized, hierarchical corporate power and great monied wealth—a condition that persists well into the “post-Cold War era.”

This persistence is particularly clear within the supposed national homeland (now as during the Cold War era) of “democratic values.” In telling the Chicago Economic Club why “the international community” (the world’s leading industrial states, that is) should not shy away from “intervening” in the internal affairs of (as in bombing) “rogue” states like Iraq and Serbia last April, British Prime Minister Tony Blair argued that “when regimes are based on minority rule, they lose their legitimacy.” Yet, while Blair would never dream of describing his senior partner the United States as a “minority”-ruled “regime,” American reformers express widespread popular sentiment when they describe U.S. elections as de facto “wealth primaries.” American candidates without vast financial resources or access to such resources can generally forget about being taken seriously in money- and media-driven campaigns. As most Americans see it, the democratic ideal of “one person, one vote,” is negated by the harsh realities of “dollar democracy” and the “golden rule” (“those who have the gold rule”). The candidate-selection and policymaking processes belong primarily to the top 10 percent of Americans that own 73.2 percent of American wealth.

This makes retreat from politics into a seemingly rational life choice for ordinary citizens, as was acknowledged with exceptional candor last July by mainstream media pundit William Pfaff. “As the United States approaches the 2000 presidential race, in which more money will be spent than ever,” Pfaff wrote in the *Chicago Tribune*, “the fact must be faced that America has become a plutocracy, rather than a democracy. Money rules government. Moreover, the transformation probably is irreversible.” Activists and intellectuals trying to spark resistance to these facts of American political life struggle to get their message through a system in which less than 10 giant corporations control more than 50 percent of the country’s electronic and print media. No wonder, then, that U.S. reformers are thinking about appealing to the United Nations for international inspection and verification of an “open political process” in the 2000 U.S. elections.

A National Daily Referendum

As if all this were not sufficiently bad, there is something particularly evil about U.S. “elites” use of the term “democratic” in connection with an increasingly universalized and worldwide capitalism. Few if any aspects of contemporary capitalism are less democratic than precisely its tendency towards globalization. As Edward S. Herman notes, “the globalization of recent decades was never a democratic choice by the peoples of the world—the process has been business driven, by business strategies and tactics, for business ends.” Tops on the list of the relevant “business ends” is the weakening of popular sovereignty. Capital seeks through globalization to evade, subvert, and preclude popular and governmental regulation and to roll back labor power.

This phenomenon is also explicitly acknowledged in the mainstream media of the post-Cold War era, when the seeming absence of anticapitalist ideological enemies seems to create new frankness on the part of the U.S. intelligentsia. In early 1997 *Chicago Tribune* reporter William Neikirk, for example, calmly reported the following comment from the chief economist at a leading global securities firm: “there is a global pool of capital that floats around from country to country every day. It amounts to a national daily referendum on government policies. It will discipline even the biggest countries and force them in a conservative direction.”

Neikirk’s *Tribune* colleague R.C. Longworth was equally candid the following year: “An employer doesn’t have to move jobs to Asia to persuade those left behind to take pay cuts. The mere possibility that, in the global age, he can do it is enough. ‘The possibility creates the reality,’ Norbert Walter [the chief economist for the Deutsche Bank in Frankfurt, Germany] said. In Stuttgart, Jurgen Muller, a manager at Daimler Benz, told me how his workers swiftly accepted previously taboo changes after Daimler opened more plants abroad, including one in Tuscaloosa, Alabama. ‘You wouldn’t believe how useful the example of Tuscaloosa was in discussion with our workers here,’ he said.”

According to British political scientist David Marquand, “the rhetoric of globalization already resounds from every rooftop....Why deregulation? To survive the pressures of global competition. Why low taxes and impoverished public services? Because the globalization of financial markets rules out tax increases. Why falling real wages and dwindling social protections? Because our unskilled workers now have to compete with millions of hungry Asians, happy to work for even less.”

There is an interesting debate among radical intellectuals on the extent to which globalization poses an actual structural or particularly novel threat to workers and democracy in the core states of the world capitalist system. But no serious left analyst would question the notion that globalization discourse is a potent weapon in the hands of the more elite segments of the business class. Beyond the question of how accurately it reflects structural-economic reality, the widespread, alternately celebratory and fatalistic chant of globalization plays some of the same domestic ideological role that the Cold War once performed. It provides an international rationale for the persistence and furtherance of inequality and repression at home.

Why American CEOs Prefer Dictators

All of which provides excellent context for understanding some fascinating new research on democracy, trade, investment, wage-determination, and U.S. preferences in the world capitalist system of the “post-Cold War era.” According to a recent study by the New Economy Information Service (NEIS)—a labor-connected think tank that gauges the impact of globalization—American corporate capital particularly likes to float into global territory controlled by dictatorships. By cross-checking U.S. government and World Bank statistics on world trade and investment with Freedom House’s comparative ranking of world nation states as “free,” “partly free,” and “not free,” the NEIS recently discovered that 72 percent of U.S. manufacturing investment in “developing” (Third World) countries goes to “unfree” nations. At the same time, U.S. imports from “unfree” states have risen from less than half to nearly two-thirds of U.S. imports from the “developing” world since the end of the Cold War, even while the number of Third World nations meeting Freedom House’s criteria for “free” status has also grown. It should be remembered, of course, that much of what passes for import trade with the “developing” world is in fact the shifting of product assets from Third World to U.S. branches of American-based multinational corporations.

In explaining the above apparent anomalies for U.S. and WTO doctrine on supposedly “democratic” global capitalism, Longworth notes quite frankly that “wages tend to be lower in dictatorships than in democracies, giving businesses in dictatorships an advantage on selling exports abroad. The investment question is more complex,” writes Longworth, “but the [NEIS] report suggest[s] a combination of factors—lower wages, easier environmental laws, bans on labor unions—that give dictatorships an edge.”

This analysis, which will hardly seem controversial to radicals, is strongly supported by a recent study reported in matter-of-fact fashion by *Business Week.* According to Harvard trade economist Dani Rodrik, who also uses Freedom House criteria for describing political regimes, democratic nations pay workers considerably higher wages than do autocracies. For a given level of manufacturing productivity, Rodrik’s research on 93 nations determined, factory workers in “free” countries make 30 percent more than those in “partly free” countries and 60 percent more than workers in “unfree” nations. It is a capitalist myth, his work suggests, that wages are set simply and purely by the global “free market”: governmental authoritarianism pays out a significant profit dividend to local and international capital and relative democracy pays out an equally significant wage dividend to workers fortunate enough to live in states with comparatively minimal repression.

Especially telling is Rodrik’s comparison between China and India, two massive developing states with significantly contrasting political systems. Relatively democratic India, he found, produced an annual average output of $3,118 per manufacturing worker between 1990 and 1994. Indian factory workers received an annual average wage of $1,192. With a similar annual output of $2,885 per worker, by contrast, authoritarian China paid its factory workers just $498 a year during the same period—a difference that helps explain why China rather than India is a particularly cherished U.S. zone for future and ongoing investment and “trade.”

More surprising than these findings is the candor with which Longworth deepens his explanation by acknowledging synergy between the bottom line considerations and authoritarian values of American multinational CEOs and Third World fascism. Dictators, he writes, “tend to be strong leaders who can provide quick decisions, deliver results and stamp out opposition. These qualities can appeal to many business leaders, who themselves operate in a non-democratic structure.”

To buttress this exceptionally forthright analysis, Longworth provides an excellent quote from Ron Leven, a currency expert at the international investment firm J.P. Morgan, who made a revealing comment as Indonesia was ridding itself of its U.S.-sponsored dictator Suharto last year. “Democracy is a desirable form of government,” Leven proclaimed, “but it’s not necessarily the most efficient form of government.” Or, as AFL-CIO policy functionary Thomas Palley puts it:

“profits and morality don’t mix very well.” Exactly—and no small part of why tens of thousands of workers, environmentalists, leftists, and other concerned world citizens recently staged remarkable mass protests at the Seattle meetings of the World Trade Organization, an autocratic agency that has a strong record of favoring global capital’s unimpeded freedom to exploit the profit premium of Third World fascism.

Efficiency is an interesting keyword loaded with conservative ideological overtones in its common usage by U.S. business and intellectual “elites.” The formal dictionary definition of the word is the attainment of more output from the same or less input. But the actual doctrinal usage of this term by the masters of American economy and propaganda is rather different. For the particular type of efficiency that has always mattered most to capitalists and their intelligentsia is quite specific: more profit from less or the same investment input (what Marx famously represented as the endless pursuit of Money—Commodity—Money Prime). This perspective is opposed by radical democrats, who see democracy as a desirable and exalted “output” or policy outcome in and of itself and not as simply one of different possible means to the end of profit. In taking such a view, the latter embrace a moral universe beyond the cold, authoritarian, and egotistical calculations of capital. It was precisely that universe that was perhaps more than just envisaged in the streets of Seattle in late November and early December 1999. **Z**

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