Capitalism, Democracy, and Economic Autonomy

“My wife asked me to not be involved in politics so that I could feed our family,” a middle-aged man in the former Soviet Union recounted to me in 1997. This simple, pragmatic statement reveals a fundamental way in which capitalism influences democracy. Specifically, capitalism acts on democracy through individuals’ assessments of their economic autonomy, or their ability to earn a living independent of the state. With the end of Soviet communism in 1991, this man became actively involved in democratic politics. He founded a branch of a political party, which supported candidates for regional and national elections. “When I created the party, I did not think there would be risks,” he explained. He had assumed that greater political freedom in the late Soviet period meant that he no longer had to fear government reprisals for oppositional activity. He was wrong. Provincial authorities fired this man from his job as a school director three times between 1991 and 1997 as punishment for his political activism. Meanwhile, his organization dwindled from 100 to 12 members as others faced similar workplace harassment. Unable to find a job beyond the reach of local officials, the man decided to abandon the party. He and his fellow leaders dissolved the organization, even though the party was thriving in other regions of the country.

This story is typical of the accounts I heard from current and former activists in post-Soviet countries. The common theme is that when one’s livelihood and one’s political activism collide, the latter suffers. To be precise, these accounts illustrate that economic autonomy is the
foremost means by which capitalism increases people’s capacity to exercise their democratic rights. Furthermore, they suggest that investigations of capitalism and democracy should not concentrate exclusively on socioeconomic groups but should also consider individuals. The importance of individual assessments of economic autonomy is easy to grasp, but this link between capitalism and democracy has been overlooked in previous scholarship.

CITALISM AND DEMOCRACY

Existing studies of capitalism and democracy acknowledge both compatibility and tension between the two systems. As Charles Lindblom noted in *Politics and Markets* in 1977, “liberal democracy has arisen only in nations that are market-oriented.”¹ Moreover, scholars have described how the two systems share many characteristics, including uncertain outcomes and pluralism.² Yet, debate continues as to whether capitalism is a net benefit to democracy. Research suggests that capitalism promotes the right to participate in democratic institutions; however, it both supports and undermines people’s capacity to exercise that right.

Capitalism has directly contributed to the creation and maintenance of democratic rights. Historically, capitalist development produced a new economic class that demanded democratic rights.³ “[Democracies] were established to win and protect certain liberties: private property, free enterprise, free contract, and occupational choice,” Lindblom

---

² In market and electoral competitions, the outcomes are not predetermined but uncertain. In other words, a business may succeed or fail; a candidate may win or lose. Market economies and democratic systems also exhibit “extremes of pluralism,” meaning that each system is decentralized, with power and resources widely distributed. See V. Bunce, “Elementy neopredelennosti v perekhodnyi period,” *Polis* 1 (1993), 44–51; Friedrich A. von Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1980); Lindblom, *Politics and Markets*; Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991).
Capitalism and Democracy explains. In the modern era, business continues to support democratic rights as a means of maintaining these liberties.

However, although capitalism promotes democratic rights, it does not necessarily enable people to use those rights. On the one hand, the pluralistic nature of capitalism enhances the capacity to exercise democratic rights. Political resources that are helpful to exercising rights, such as money, knowledge, status, and access, are held not by a single authority in capitalist systems but are distributed throughout society. Moreover, these resources increase the organizational capacity of non-state actors, allowing them to protect these rights against government encroachment.

On the other hand, the division of labor in capitalist societies creates differences in status and opportunity that result in some groups having greater political resources than others. For example, Lindblom identified the “privileged position” of business in America that stems from the larger amounts of money, status, and access companies enjoy. Corporations can use their funds for political influence, companies’ tax payments make governments beholden to them, and consequently businesses have greater access to government officials. Businesses can even circumvent democratic means of influencing government officials.

4 Lindblom, Politics and Markets, 169.
3 Ibid., 164.
7 Dahl, Democracy and Its Critics, 252.
10 Scholars who acknowledge the inequality of resources have explained the coexistence of the two systems in different ways. According to Lindblom, businesses’ support for democratic rights and their ability to indoctrinate the public enable capitalism and democracy to function together. Similarly, Claus Offe and John Keane have attributed the coexistence of the two systems to an accord between labor and capital, which party systems support by keeping anticapitalist issues off the agenda. See Lindblom, Politics and Markets; Claus Offe and John Keane, Contradictions of the Welfare State (Cambridge, MA: MIT Press, 1984).
The contradictory influences of capitalism are perhaps best reconciled in a quotation by Robert Dahl, a scholar who early in his career argued that capitalism had a purely beneficial impact on democracy but then acknowledged its negative influences. “In the twentieth century, the existence of a market-oriented capitalist economy in a country has been favorable to democratization up to the level of polyarchy [or democracy as we know it]; but it is unfavorable to democratization beyond the level of polyarchy.” 11 In other words, capitalism facilitates the creation of contemporary democracy, but it impedes the full realization of democratic ideals.

ECONOMIC AUTONOMY

This book argues that economic autonomy is the foremost means by which capitalism enhances people’s ability to exercise their democratic rights, whether in advanced democracies or hybrid regimes, governments that exhibit both democratic and authoritarian characteristics. Economic autonomy is a product of capitalism, and it is essential to the practice of democracy. Economic autonomy results from capitalism because in a capitalist economy the market, not the state, generates opportunities for earning a living. Most citizens make a living through private ventures, with minimal interference from the state. 12 In turn, economic autonomy allows people to engage in the political activities that are essential to the operation of democratic institutions.

The calculation of whether one’s economic autonomy is sufficient to protect one from government harassment comes before consideration of interests, resources, and organizational capacity – the focus of other studies that examine the impact of capitalism on democracy. Democratic interests and resources are not sufficient for political activism. The ability to make a living independent of the state is critical to the practice of democracy; otherwise, citizens will avoid activism for fear of economic reprisals by the government.

The idea of economic autonomy encourages us to refocus the debate from socioeconomic classes to individuals. Previous studies argued that capitalist development provides classes with the resources and

11 Dahl, Toward Democracy, 147.
12 Bunce, “Elementy.”
organizational capacity to act against dominant groups in pursuit of their pro-democratic interests.13 The pro-democratic leanings of one’s strengthened social class may be sufficient to motivate an individual to join peers in a single street protest. However, for long-term political engagement, individuals calculate their own economic risks before acting. The accounts of post-Soviet citizens in this book illustrate that decisions by individuals, not characteristics of classes, are the first link in the chain between capitalism and democracy.

The concept of economic autonomy emphasizes how state economic monopolies compromise democratic rights. In the former Soviet Union and in other regions of the world where states play significant economic roles, economic autonomy is highly salient. Where the state does not have an economic monopoly, individuals may not consciously calculate their economic autonomy because the idea of economic dependence on government authorities is foreign to them. Yet, a decrease in economic autonomy in these places would hinder democratic participation nonetheless. Regardless of geographic location, economic autonomy is a concept that illuminates when people participate.

AN EMPIRICAL PUZZLE

“A Few Miles Apart, 2 Russias Contend for Nation’s Future”... “Democratic Norms Under Assault in Russian Far East.”14 In the 1990s, headlines such as these revealed the real-world puzzle from which my argument about economic autonomy emerged. Media accounts and case studies suggested that Russia had only pockets of democracy across its vast territory. Opposition candidates in one region ran without negative repercussions, but those in another region lost


their jobs. Journalists in one province reported freely, but those in another censored their remarks. Political groups in one region operated openly, but those in another disbanded because of harassment.

This patchwork of democracy is not unique to Russia. In countries such as Mexico, India, Spain, Chile, and Brazil, democracy has also developed unequally.15 Even in older democracies, democracy may be weaker in some regions. Prime examples are the American South historically and southern Italy to this day.16 Yet, the unevenness in established democracies is not nearly as great as in countries that only recently introduced democratic institutions, such as Russia. In Russia, only a small percentage of regions can be considered democracies. Scholars have provided country-specific descriptions of the uneven development of democracy, yet no theories have incorporated these findings.

Democratization theories tell the story of democratic development solely from a national perspective. One school of thought, “crafting” theories,17 explains democratization through interactions among elites,

---


An Empirical Puzzle

whereas the other attributes democratization to socioeconomic conditions. Both schools devote almost no attention to subnational politics, focusing instead on national elites, processes, and conditions. At most, crafting theories allow a subnational civic movement to play a role in negotiated transition, and socioeconomic theories lead a scholar to footnote that a region is a socioeconomic outlier. Overall, crafting theories seem implicitly to assume democracy will develop evenly throughout a country once transition occurs in a national capital. Socioeconomic theories seem implicitly to assume that aggregate characteristics will enable democracy to be consolidated equally successfully across regions.

Studies that do focus on subnational politics give little attention to questions of democratization. In 1974, Mark Kesselman and Donald Rosenthal lamented the myopia of subnational investigations: These studies considered center–periphery relations only from a legal perspective, they ignored the influence of rural and national governments on urban politics, and they rejected cross-national research. Since then, many of these problems have been overcome, but theories of subnational political development still have not emerged. Instead, since the...
mid-1970s, scholars of comparative politics have been examining the subnational level through the lenses of federalism, elite values, decentralization, local government law, and urban politics. In the 1990s and the first years of the new century, there has been a reemphasis on subnational politics, and the topics have expanded to include elections, political movements, state institutions, and economic policy.

Over the years, Americanists have paid greater attention to the subnational level, but they tend to ask questions about the status quo instead of change over time: Who controls local polities? How can countries. Moreover, the national approach may reflect a certain pragmatism: As Dahl acknowledged, investigating democracy in all subnational units, from municipal governments to trade unions, would be a Herculean task. Even a focus on subnational governments can prove more difficult because in the provinces government restrictions on fieldwork may be more severe and suspicion of foreigners may be greater. Finally, this preference for the national level over the subnational level mirrors a pattern found throughout the discipline of political science. See Dahl, *Polyarchy*, 14.


average citizens participate? How do different levels of government interact?23

With respect to Russia, neither media accounts nor academic studies offer an explanation for subnational variation in democracy. Media reports supply descriptions of one or two regions, but no generalizations about the uneven development. Many scholarly works provide a comprehensive picture of politics in a single Russian province or city.24 However, because each study explores different aspects of democracy and uses different measures, it is difficult to draw general conclusions. Another set of works has explored subnational political development across multiple regions. These investigations have provided valuable data and analysis about single aspects of democracy, such as the emergence of democratic movements, administrative control over elections, variation in electoral outcomes, political parties, legislative–executive relations, and the effectiveness of government institutions.25 Yet, these


studies do not provide a comprehensive picture of democratic activity. A small number of scholars have investigated subnational political differences systematically and comprehensively; however, they have asked other questions: How did provincial regimes differ during the perestroika era? What were the consequences of these Soviet-era differences? How can the democratic and authoritarian outcomes of transition from communist regimes best be characterized? What accounts for differences in the power of regional political machines? Scholars of comparative, American, and post-Soviet politics have yet to offer a theory of democracy’s uneven development within countries.

The news articles and case studies about Russia suggest that it is a good place to begin studying the uneven development of democracy. But, how can we ensure that findings in Russia apply outside the country?

