

# ***THE GLOBAL ECONOMY AGAINST DEMOCRACY***

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Author: Manuel Couret Branco  
NICPRI/University of Évora  
Address: Universidade de Évora,  
Departamento de Economia,  
Largo dos Colegiais, 2  
7000, Évora – Portugal  
e-mail: [mbranco@uevora.pt](mailto:mbranco@uevora.pt)  
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## **ABSTRACT**

*Despite some notable achievements in many parts of the planet the gap between the rich and the poor has become wider rather than tighter. On the political sphere success seems much more unequivocal, though. Indeed, beyond a handful of anachronistic exceptions, the world seems to have surrendered to the delights of democracy. From there to the conclusion that economic globalization favors democracy there was a small step that many economists and political scientists all over the world have not hesitated to make. Refusing to share this optimism, many other scientists have, on the contrary, severely questioned the democratic character of the global economy almost since the term globalization itself has been invented. In this work I intend to show how the logic of globalization, in other words the logic of internationalized market capitalism conflicts with a substantive definition of democracy in developed countries as much as in developing countries. First of all we will explain why, in our view, the global economy is not just the internationalization of the economies but mainly the development of the capitalist economic logic. The first argument that will be used against the global economy concerns the fact that there is a conflict between the deterritorialization of the economy and the territorialization of democracy. The second will show how the logic market hegemony is opposed to democracy. The third part of the paper will look at the lack of democracy in the decisions taken within the international institutions that command the global economy. Finally we will sustain that the global economy constitutes a major obstacle to democratization in developing countries.*

*Keywords: Globalization, Democracy, Capitalism, Development, Underdevelopment*

## **INTRODUCTION**

For quite some time now the global village metaphor has been served up to world public opinion, so very fond of magical formulae, with what one might suspect to

be the subliminal purpose of conveying the idea that the current model of economic globalization is the only one capable of reconciling economic efficiency and fraternity amongst all peoples. Nevertheless, despite some notable achievements in many parts of the planet, the gap between rich and poor has apparently become wider rather than narrower (see Stiglitz 2006; Mazur 2004; Honey 2004). In the political sphere success seems much more unequivocal, however. Indeed, beyond a handful of anachronistic exceptions, the world seems to have surrendered to the delights of living under democracy, or at least to the convenience of being ruled by governments that have been freely elected.

From there to the conclusion that globalization favours democracy was but a small step that many economists and political scientists all over the world did not hesitate to take. Refusing to share this optimism, many other scientists have, on the contrary, severely questioned the democratic character of the global economy, almost since the term globalization itself was invented. Many empirical studies and theoretical reflections have dealt with this question (see for example Groupe de Lisbonne 1995; Obstfeld 1998; Hamilton 2002; Sapir 2002; Li and Reuveny 2003; Fitoussi 2004; Przeworski and Meseguer 2006), reaching diverse and often contradictory conclusions. Our concern here will be slightly different. We shall not ask whether globalisation has brought more or less democracy to the world, but whether the logic pertaining to the global economy intrinsically favours the deepening of democracy and of human rights. The first step of this endeavour consists in demystifying the meaning of the concept 'global economy', or in other words economic globalization.

## WHAT ARE THE GLOBAL ECONOMY AND DEMOCRACY

Contrary to the widespread image, economic globalization cannot be assimilated only with the growing internationalization of national economies, consubstantiated in their deeper interdependence, in the increasing level of international trade and in the accelerating planetary circulation of productive factors. Firstly, and regarding the allegedly increasing importance of international trade within the main national economies, we are facing an optical illusion that mistakes the verifiable increase of the absolute level of international trade with structural changes within these same economies. Indeed, despite having been continuously growing for quite some time, the weight of foreign trade in Gross Domestic Products today is not significantly higher than that of 1914 for the major economies (Rodrick 1998; Feenstra 1998; Sutcliffe and Glyn 2003).

Regarding capital, the idea that the recent lifting of major barriers to its circulation catapulted the economies into a new era is also very common. Once again such a judgement succumbs to a scale effect resulting from a shallow appraisal of the past. The extraordinary amount of capital wandering the world in a sort of peripatetic stroll is hiding a less scintillating reality, however. The net flows of capital, measured by the difference between domestic savings and domestic investments are, on the contrary, inferior to those met during the Gold Standard (Obstfeld 1998: 11), and therefore the vibrant global financial market of the turn of the nineteenth century has still not found any equivalent one hundred years later. If one takes foreign direct investment (FDI) alone, the situation is quite similar. Indeed, though it seems that the

level of FDI is probably greater today than it was at its previous historical peak, it is not by such a significant margin (Sutcliffe and Glyn 2003: 69).

Finally, regarding labour or just people, are borders more permeable today than they were ever before? Tourism has shown a remarkable expansion and undoubtedly constitutes one of the most dynamic economic activities all over the world, but to extend this recent permeability of borders to the circulation of labour is above all an act of faith. The trivialization of travel cannot hide the fact that labour mobility is not stronger today than it was at the beginning of the twentieth century. The borders of the most powerful economies seem, on the contrary, more inexpugnable than ever, as the electronic and barbed wire wall separating the United States from Mexico or the Shengen Zone's futuristic virtual fortress perfectly illustrate. The intense media coverage of the continuous scattering of illegal immigrants on our western shores is sufficiently revealing of the difficulty rather than of the ease of crossing borders in search of a better life, especially when compared to the international migratory movements of the late nineteenth century and early twentieth century.

Despite these assertions, we cannot, however, conclude that history is repeating itself. The global economy of the beginning of the twentieth century embraced only a small part of the world economies; in other words, market capitalism (because that is what this is all about) was dominant in only a handful of countries. In the great majority of the planet's territories, when such a thing as an economy existed, it could be classified, at most, as pre-capitalist. As market capitalism began to expand beyond its original nucleus, competing regulatory systems made their appearance, firstly with the Russian revolution, then with Fascism and Nazism, in Italy and Germany respectively. With the end of the Second World War and later the end of colonial empires, capitalism confronted socialism in a struggle that lasted till the Berlin Wall fell down. In contrast with what had been its behaviour during the first stage of its expansion, capitalism reduced its degree of internationalization during this period, localized itself, and accepted ideological compromises with the State. What characterizes the global economy of the turn of the millennium is, in our understanding, the expression of capitalism's expansion to all corners of the globe with the exception of some pockets of resistance that only rhetorically threaten its supremacy.

In its essence, then, the global economy consists in the definitive conquest of planetary supremacy by the market capitalist model. There is nothing awkward in this assertion. Capitalism has always been historically averse to national seclusion. The fact that one of the main targets in the economic and political agenda of globalization is removing barriers to the so-called adjustment by the market, perfectly illustrates the essence of this aversion (see Kozul-Wright 1995: 159). Globalization, therefore, is as old as capitalism itself, or rather, is one of its constitutive features (Heilbroner 1988; Collin 1997; Held 1997), a conclusion that would not surprise Lenin for whom a particular reading of globalization, called imperialism, was supposed to be precisely the supreme and final stage of capitalism (Lenin 1977).

This conclusion is very important for our argument because it is consequently useless to look for the relationship between globalization and democracy within the statistics concerning foreign trade or in any other part of the balance of payments sheet. One should rather look for it within the logic of market capitalism and the institutions that have been guiding its propagation. The following lines will examine therefore such

global issues as the conflict between the *territorialisation* of democracy versus the *detritorialisation* of the global economy and the undemocratic character of decisions within the Inter-Governmental Institutions, namely the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO). Some particular aspects of the conflict between democracy and the global economy concerning developing countries will also be referred to towards the end of this argument.

In order to avoid some misunderstandings one should now state what will be considered democracy in the following pages. One must agree that its definition is in itself a broad and ambitious project that throughout history has led to many studies and thereby a wide variety of proposals. I do not intend in this paper to participate in this discussion, though, a task way beyond my skills. A minimalist, and almost formal version, adopted by such unavoidable political scientists as Samuel Huntington or Adam Przeworski, for instance, presents democracy as being the regular performance of competitive elections (see Mazo 2005). Although competitive elections undoubtedly constitute a key element of democracy, this definition seems disappointingly plain.

A richer discussion of the relationship between the global economy and democracy calls, therefore, for a more elaborate definition of democracy, one which, besides elections, demands wide civil liberties, including freedom of association and expression, and freedom of the press, to be guaranteed; citizens to be deeply involved in the decisions on matters that affect them; and institutions to be strongly committed with responsibility and accountability in the running of public affairs. This is the essence of substantive democracy, a democracy that not only aims at the interest of the governed but also at their meaningful participation in the process of decision making.

## THE TERRITORIALIZATION OF DEMOCRACY VERSUS THE DETERRITORIALIZATION OF THE GLOBAL ECONOMY

As seen above one of the conditions demanded of a democratic regime is the right of the people to participate in the process of making decisions that will affect them. To cut a long story short, today such participation is obtained mainly through free and competitive elections involving every citizen of voting age. The only true problem here is to decide who is a citizen and who is not. This a very important question because a decision can only be democratically legitimate if it is sufficiently independent of influences and interactions originating from outside the Demos (Collin 1997; Dahl [1979] 1997). The democratic system is thereby confined to the political geography of a given community.

That is why the historical development of the democratic idea followed the steps of the evolution of this political space. According to Michel Beaud both Greek democracy and the tax payer's democracy of pre-capitalist city-states expressed themselves within a finite space. The physical boundaries of both these democracies matched those of the city and the interests at stake corresponded to those of very specific groups, citizens in the first case and merchant bourgeoisie in the second (Beaud 1997: 233). Modern democracy, in turn, expanded its political space by matching its territory with the boundaries of the nation-state and by adopting universal suffrage.

The path taken by the market economy is substantially different, however. The spatial confinement that the very notion of a market suggests, that is to say the setting where trade takes place, gave way in the global era, not to the expansion of its territory, but to its disentanglement, in other words to a *deterritorialization* of the mechanisms of creation, production and distribution of goods and services, contrasting sharply with the *territorialization* of democracy. Thus, whereas a substantial part of major economic decisions are made within a *deterritorialized* framework, in other words within a virtual territory woven into a network by the world markets, the mechanisms of democratic participation and its constituent institutions are, on the contrary, confined to the growing narrowness of the nation-state. The result is an increasing physical separation between the centres of decision and the people affected by those same decisions (see Cassen 1997), thereby weakening the scope of democracy.

It seems then that the transformation of the economy is going on at a faster pace than the transformation of the polity. Is this a coincidence or is it part of a deeper movement? According to David Morris this increasing separation between governance and citizenship is part of a long process also characterized by the separation between the producer and the consumer or between the city dump and the dustbin (Morris 1996: 220), in other words it is part of a process that can also be called economic development. Therefore, the separation between the decision and the community affected by that same decision could be nothing more than the political expression of the growing partition of society resulting from specialisation and the social division of labour; the conflict between the global economy and democracy being, thus, the normal outcome of the expansion of market capitalism.

Does this mean that only small communities closed to the outside world can fully live in democracy? Such a conclusion is both undesirable and hardly sustainable. What it means is that we shall have to look for new ways of participating democratically in the decisions that are shaping the world today. How this can be achieved remains to be discovered. One thing we do know with certainty: for the time being one cannot expect intergovernmental institutions, like the IMF, the World Bank or the WTO to play a decisive role in producing democratic global governance, as we shall see below.

## INTERNATIONAL INSTITUTIONS AND DEMOCRACY

As has already been said, economic globalization results from the normal unfolding of capitalist logic, but one should not conclude that the global economy is the product of decentralized decisions alone. In other words, the global economy does not result from the unrestrained action of market mechanisms alone. National governments, by legislating in favour of the market or by lifting barriers to the circulation of goods and capital, as well as intergovernmental organizations actively contributed to producing and shaping the global economy. Where governmental action is concerned, decisions can be considered democratic as long as governments themselves have been democratically elected, although one could debate this at great length. As far as intergovernmental organizations are concerned the matter is slightly more complex. Indeed, the concrete decisions produced by these organizations can hardly be considered democratic. The criteria upon which these decisions are made differ substantially from those adopted by national governments. Whereas a majority of votes provides national

governments with the legitimacy to act on behalf of citizens, this is not the case within intergovernmental organizations.

Let us take the case of the IMF and the World Bank, for instance. It is not the number of votes, expressed by the number of voters, that counts most, but economic strength. In this particular case it is a country's contribution to the organization's budget that determines its power to influence decisions. Imagine that a country's government was elected not by the system of 'one citizen, one vote', but 'one dollar, one vote', the rich having more power to decide than the poor. This would certainly be unacceptable. Yet, this is how it works at the IMF or the World Bank! This is all the more shocking as these organizations have been interfering more and more deeply in matters for which national governments were previously exclusively responsible. Take the conditions countries have to meet in order to get IMF or World Bank loans, for example. In the 1980s, countries that asked for loans had to meet 6 to 10 performance criteria, whereas in the 1990s these same countries had to meet something like 26 criteria (Kapur 2001).

Furthermore, about half of the voting power at the IMF and the World Bank is in the hands of seven countries; the United States, Japan, France, the United Kingdom, Germany, Russia and Saudi Arabia. This is only possible due to the particular method of calculating votes within these organizations. Each member country possesses 250 basic votes, plus one additional vote for each 100,000 Special Drawing Rights they contribute to the organization's budget (Momani 2004: 881). That is why the United States hold 17.11% of the votes whereas China only 2.94 % (Momani 2004: 882). If the calculation method rested on the principle of 'one man, one vote', instead of 'one Special Drawing Right, one vote', China would have to hold at least 4 times more votes than the United States, instead of holding 6 times less. The new calculation method adopted meanwhile made some changes, but this scandalous discrepancy was only slightly mitigated.

The heart of the matter is that within the intergovernmental organizations the majority of member states can only theoretically participate in the making of decisions that affect them. Twenty three African countries amongst the poorest in the world and the most affected by the conditionality criteria imposed by the IMF, for instance, hold only 1.16% of the votes (Momani 2004: 882). Some other facts can be added to strengthen this idea of a non-democratic process of decision making. Indeed, in the course of the IMF's history the undemocratic character of its decisions has even been gradually reinforced. While 135 more countries joined the IMF, the percentage of basic votes in the total amount of votes for the entire organization decreased from 12.4% to 2.1% (UNDP 2002), which means that at the same time as these organizations rallied more countries to join more power was given to its richest members.

This concentration of power within the intergovernmental organizations represents the contemporary face of global hegemony, in practice the United States' hegemony in the world economy. According to Paul Knox and others, the British hegemony within the capitalist world economy was characterized by a mixed strategy of formal and informal imperialism, in other words by empire-building and extensive investment outside the empire, whereas the United States, in order to achieve its own hegemony, avoided the burden of formal imperialism by sponsoring intergovernmental organizations with the same results (Knox et al. 2003: 76-77). By not being able to influence decisions that affect them, many countries lost *de facto* a substantial part of

their sovereignty. This external imposition happened discretely, but by no means should one conclude that discrete is synonymous with peaceful.

The loss of national sovereignty always constitutes a violent event. Edward Goldsmith tells us a very revealing story about Tunisia's loss of sovereignty to France. At the end of the nineteenth century, the Bey of Tunis, in order to reimburse his debts towards French banks, was obliged to accept the creation of a French protectorate in Tunisia (Goldsmith 1996), a testimony of how national independence can be traded against financial solvency, following either an imperialist or neo-imperialist strategy. Indeed, the ways in which the IMF and the World Bank impose political programmes on independent states in exchange for funds do not seem substantially different from the methods used by France's colonial power to submit Tunisia.

Many political scientists will tell you that, if the IMF and the World Bank's decisions are far from being democratic, the World Trade Organization, on the contrary, respects the basic principles of democracy. At the WTO the voting system rests on the principle of 'one nation, one vote' and the decisions are taken through consensus. Therefore, less powerful countries can allegedly influence decisions and especially veto those decisions that can harm their interests (Hamilton 2002: 10). However, the reality is not as bright as it seems. Firstly, it is not certain that the system of 'one nation, one vote' is much better than the system 'one euro, one vote', as China will have the same power as Luxemburg which is several times less populated. On the other hand the more relevant decisions are not taken in general-assemblies but in what has been called the 'green room', in other words in small committees called by the organization's chairman and generally influenced by the United States, the European Union, Japan and Canada, and from which developing countries are generally excluded (UNDP 2002: 118).

To this democratic deficit one should add the fact that intergovernmental organizations are unaccountable to those affected by their decisions (Muchlinski 2003). Indeed, it is not yet known to whom they respond. To national governments, to the people, to nobody?! In democracy, if a government makes decisions that are contrary to the will of the people, the people can overthrow it in the following elections. In contrast, if intergovernmental organizations make decisions that are contrary to the will of the people, the people can do little about it! Some might reply that decisions made by intergovernmental organizations are technical and not political, and are therefore not submitted to the same rules as far as responsibility is concerned, but many of these decisions are far from just addressing technical issues; they constitute, on the contrary, full political programmes.

## THE MARKET SUBJECT OF THE LAW

For obvious reasons it is not the purpose here to dig deep into the dogmatic discussion that has been going on for quite a while on this matter. Nevertheless, some explanation of its economic relevance is needed. The question is: can the market, in the same way as individuals or the State, claim to be a subject of the law? In other words can the market claim to be affected by third parties, and consequently demand reparation? This discussion has also been going on regarding animals and nature itself, incidentally (see Ferry 1992). Therefore, more than just a debate on whether the market should legitimately aspire to being placed on an equal footing legally with both

individuals and the State, it is the subordination of individuals and the State to the market that is the key discussion here.

The fact that the rights of the market can be ranked higher than those of individuals and the State becomes, therefore, more than just an academic hypothesis, but almost a paradigm in arbitrating rights. Indeed, several decisions of the World Trade Organisation (WTO), for instance, constitute a perfect example of the adoption of the principle according to which the rights of the people are subordinated to those of the market. One of the purposes of the above mentioned organization consists in tracking and identifying national practices that are contrary to the spirit of the free market, or rather deregulated, and sometimes legitimizing actions which, albeit contradictory with that same spirit, appear as a response to the former. In other words, decisions taken democratically within member states of the WTO can be contested on the grounds of an alleged incompatibility of these decisions with the rules of the freedom of circulation of goods and services, meaning that the market can overrule citizens.

The discussion regarding the innocuousness of certain products originating from genetic engineering, for example, has revealed the existence of a conflict between the principle of precaution and freedom of the market. The former principle demands an independent and unequivocal demonstration of the absence of danger of genetically modified organisms for human health as a condition for its approval and further circulation; the latter argues that, on the contrary, it is not within the competence of producers to demonstrate the innocuousness of their products (see George 1999), but rather it is up to those who fear the possible consequences of their consumption to demonstrate their harmfulness before prohibiting the referred products. This conflict has transcended the consumption sphere because, in reality, it opposes two different sources of legitimacy; one of them, democratic, because it derives from the citizen through national parliaments; and the other, technocratic, because, in turn, it arises from the market through the expression of economic interests.

A good example of this conflict is to be found in the commercial dispute between France and the United States. On the one hand, France was considered to be violating the freedom of the market through its refusal to import American beef, on the grounds that this was potentially harmful to human health because of the use of growth hormones; and on the other hand, in order to compensate the market for being deprived of its alleged rights, the United States was authorized to punish France by imposing prohibitive taxation on the imports of French Roquefort cheese (George 1999). Inversely one can find the same sort of attitudes, namely concerning a Californian standard imposing a minimum percentage of recycled material in glass containers (Morris 1996: 444). What was at stake here was not only the undeniable fierce competition that exists between the two countries in world markets, but also, and mainly so, the unfolding of a logic that submits democratic decisions aimed at protecting the environment and public health to bureaucratic decisions based on the premises of the allocation of rights to the free market.

Some words, finally, on the famous Multilateral Agreement on Investment (MAI), negotiated between members of the Organisation for Economic Cooperation and Development (OECD) between 1995 and 1998, and which failed after socialist prime-minister Lionel Jospin withdrew France from the agreement. Its logic contained almost all the perversities described above, especially regarding its procedures. One of the

arrangements of this agreement concerned the rigid limitations binding the states willing to withdraw from the agreement after having signed it (Sapir 2002). The near irrevocability of MAI imposed restrictions on governments that went much farther than what was usual in international treaties, intolerably restricting their programmatic freedom, and therefore their citizens' choice, tying society to an economic global programme rendered unquestionable.

## THE DEREGULATION OF THE ECONOMY

By asking the removal of barriers to market adjustment, economic globalization has clearly put economic deregulation at the heart of its programme. As a matter of fact, this deregulation is not merely a situation strategy, in other words an adaptation to modern times; on the contrary, as everyone most certainly agrees, the idea of an absence of regulation has been deeply embedded in the liberal economic theory that has enshrined economic globalization ever since its beginnings. Bernard de Mandeville, for example, sustains in his *Fable of the Bees*, published in 1705, that freedom should be taken as the absence of impediments to individual action (Haworth 1994).

In the global economy, this deregulation has primarily affected the ability of governments to make economic policy, be it fiscal, monetary or international, which means that any government that attempts to implement measures that contradict those of the majority of world governments is threatened by the practical neutralization of its policy (Rachline 1998). Not only is this fact, by itself, sufficiently illustrative of the absence of real choice as far as defining the course nations should follow is concerned, but as Robin Archer (1995) puts it, democracy demands some authority, in other words impediment. Although in terms of human rights, every economist, even amongst the ultra liberals, will probably agree that freedom is unconceivable without some restraint on individuals; this same restraint does not seem to be desirable for the economy, the Mandeville interpretation of freedom apparently constituting a paradigm in mainstream economics.

One further remark should be made on the clash between deregulation and democracy beyond their theoretical opposition. Indeed, by promoting inequality in income distribution, economic deregulation is once again detrimental to democracy. The most open economy possible according to the market is, in Maurice Obstfeld's opinion, conducive to a decrease in capital's fiscal burden, and, in compensation, to an increase of this same fiscal burden on labour (Obstfeld 1998: 20), which would contribute to rendering income distribution more unequal.

Now, according to Boutros Boutros-Ghali for example, one of the major impediments of democratic development resides in the serious inequalities that exist (Boutros-Ghali 2003). Quite some time before, in the late nineteen-fifties, political scientist Seymour Martin Lipset pointed out that the existence of a significant middle class is a determinant of democracy (Lipset 1959), which, by definition, is stronger when income inequalities are low. Furthermore, empirical evidence seems to have been found relating inequality and the lack of democracy, or the other way around, the positive relationship between moderate or declining inequalities and democracy (Acemoglu 2003; Barro 1999; Engerman and Sokolof 2002; Przeworski et al. 1996), the main argument being that the gap between the rich and the poor, rendering distributive

conflicts more acute and creating a feeling of economic insecurity, would contribute to eroding the adherence of both the people and their leaders to democracy (Fitoussi 2004). Furthermore, income distribution inequalities tend to be accompanied by inequalities in the access to other political resources, such as respect, status, information or knowledge, all resulting in the political under-representation of the poorest social groups (Dahl 2000; Calderón and Szmuckler 2004; Engerman and Sokolof 2002; Haworth 1994).

## THE DILUTION OF RESPONSIBILITY AND THE UNACCOUNTABILITY OF POWER

It has already been said that democracy demands responsibility and accountability from those entities which exert power. Being responsible and accountable means that the entity to which citizens have democratically conferred legitimacy to decide on their behalf should be answerable to them. This responsibility can be observed in two different instances. The first instance concerns the attribution of the very responsibility to decide, in other words the definition of who has the power, and the second the way according to which citizens can both grant and control the power to decide.

Who then has the power in the world of globalized market capitalism? It seems clear that the State is losing power, not as a consequence of some sort of obscure conspiracy, but partly as an outcome of its own programmatic will. Indeed, after deregulating the economy, eliminating the control of capital flows, abdicating monetary policy, exchange policy, and part of fiscal policy, the State has voluntarily given up genuine power to decide on economic issues that really matter. Thus one is entitled to wonder if the State is truly responsible, in other words if the legitimacy citizens grant the State on the occasion of elections is not somehow misdirected? The State still has some power, but less and less as time goes by. This growing irrelevance of the State has led Michel Beaud to sustain that contemporary societies would be suffering an entirely new disease, *acracy*, in other words helplessness in terms of power, or the loss of political will (Beaud 1997: 237).

On the other hand, the increasingly irrelevant intervention by the State seems to be characterized by a necessitarian rather than a normative foundation, in other words by obligation rather than by conviction. How many times have governments resorted to the excuse that they did not have any choice in order to justify controversial decisions to their citizens? One of the most striking aspects of this irresponsibility drift of the State consists in the relegation of certain economic policy objectives. Thus, in contrast with what characterized the post-Second World War period until the mid nineteen-seventies, when it was formulated in terms of final goals such as full employment or just bettering the living conditions of the people, economic policy after the nineteen-eighties became formulated preferentially in terms of intermediate objectives, such as budget equilibrium or market flexibility. Therefore, with this kind of policy formulation, citizen's welfare is transformed into a mere side effect.

By acting in this manner, the State sweeps responsibility away, or rather the State essentially becomes responsible to the market rather than to the citizen. This subordination of the State to the market was very clearly brought out by a former chairman of the Bundesbank at the World Economic Forum, held in Davos in February

1996. He sustained that political leaders should be aware that, from the moment they were elected, they would be submitted to the control of the financial markets (in Petrella 1997). The State's irresponsibility also stems from the greater ease of corporations, especially as far as multinationals are concerned, in adapting to the role of a global actor, when compared to the State, an eminently national institution (Groupe de Lisbonne 1995: 122).

Now, if the State is not responsible for the decisions that affect citizens, why should governments be cyclically submitted to people's scrutiny at the time of elections? Why should the people punish or reward governments for something for which they are not responsible? Who is responsible, then? Whom should the citizens bring to account? The market? Well, if the market is not accountable to anybody, it will be far less so to the citizen. A former member of Citicorp's board seems to have given the right answer in an interview to *Wired*, for many the cyber-era's bible. 'Nobody', he said. He then added that, if policies were not good, the market would sanction them immediately, exclaiming that he was totally 'in favour of such an economic democracy' (in Schiller 1996).

Therefore, if the markets have taken control of the real power to decide and they are not accountable to the citizens, they are at most indirectly accountable to corporations' shareholders. Indeed, according to the logic of corporate governance, decisions are not taken by all those affected by their decisions, but by those who own the capital. Therefore, at best, democratic control becomes dependent on each shareholder's financial weight; at worst, citizens will be governed by an unaccountable entity. Under any of these hypotheses one is facing a flagrant erosion of the democratic idea which has instituted the requirement of accounting for decisions that affect third parties and has granted each adult citizen one vote regardless of his condition.

The loss of power by the State should not necessarily in itself be considered anti-democratic. If this loss had corresponded to a transfer of power from the State (usually taken as the bad guy in human rights discourse) to individuals, in other words if it had corresponded to the empowerment of citizens, democracy would not have suffered in the least. But that is not what happened. In reality, one has been witnessing a transfer of power from an accountable entity, since those who exert power within the democratic State are both elected and known, to an unaccountable entity, the market, which, by definition, is anonymous. This unaccountability of the market constitutes a serious menace to democracy on the grounds that concentration of power in unaccountable institutions has usually given rise to the abuse of power, as David Korten (1996: 190) stresses.

On this matter, the example of the concentration of power in the hands of an unaccountable totalitarian state in the old Eastern European popular democracies should alert all those in favour of a new concentration of power in the hands of another unaccountable entity such as the market. Not only was the concentration of power in the hands of an unaccountable entity undemocratic, but it also produced an unsustainable economic inefficiency. In this process, according to David Korten, capitalism would be revealing its proverbial self-destructive tendency, not so much for the reasons pointed out by the Marxian critique, but ironically, for the same reasons that led scientific socialism to collapse (Korten 1996: 190).

## GLOBALIZATION AND DEMOCRACY IN DEVELOPING COUNTRIES

According to Freedom House, and despite its acknowledgement of cyclical waves of democratisation, few developing countries, most especially in Africa, can be considered entirely free nations (Freedom House 2005). In a quest for the implications of globalization on this state of affairs, one needs first to acknowledge the role played by the economy in fettering democracy. Indeed, despite the assumption that democratization is essentially a political process numerous signs nevertheless indicate that, to some extent, democracy can also be an economically driven phenomenon.

### **Development, Underdevelopment and Democratization**

About half a century ago, reflecting on poverty and its terrible consequences for the majority of India's population, French ethnologist Claude Lévi-Strauss expressed his scepticism concerning the odds of the Indian citizen reaching freedom in the way western culture and thought represented it. For him something as simple as a dignifying material existence was much more meaningful than formal democratic institutions (Lévi-Strauss [1955] 1984). He added that:

Freedom is neither a judicial invention nor a philosophical jewel, property of civilisations worthier than others, because only they would possess the ability to produce and preserve it. It is the result of an objective relationship between the individual and the space he inhabits, between the consumer and the resources available to him (...) much ingenuity and deceitfulness would have to be disclosed in order to believe that men choose their beliefs regardless of their condition. Political systems are far from determining patterns of social existence; patterns of existence give sense to the ideologies which express them, rather (...) (Lévi-Strauss [1955] 1984: 169).

A few years later Seymour Martin Lipset was one the first social researchers to establish precise economic conditions for the democratization process (Lipset, 1959). He asserted that various indicators of economic development, such as average wealth, degree of industrialization and urbanization and education levels, were higher in democratic countries than in authoritarian ones, suggesting that development could stand as a condition to democratization. In other words, the absence of development would clearly seem to hinder democracy.

Benno Ndulu and Stephen O'Connell have recently tested part of the Lipset hypothesis for Africa and found that countries that, at their independence, adopted the multi-party system, started richer than those that opted for various degrees of authoritarianism (Ndulu and O'Connell 1999: 50), a fact which would support the hypothesis' credibility. In their turn, Adam Przeworski and others sustained that beyond the threshold of 6005 dollars per head no democracy has ever been overthrown, whereas the life expectancy of a democracy below the average income of 1000 dollars per head was only six years (Przeworski et al. 2000). The arguments put forward to justify the relevance of wealth for democratization sustain that, firstly, when income is high or economic growth rapid, redistributive conflicts are less intense (Dahl 2000) and therefore their resolution can happen under the rule of law rather than through the use of force; secondly, high income allows the formation of an important middle class; and, thirdly, it can lead to better education (Huber et al. 1993).

These arguments are quite interesting, but they seem to miss some of the main issues at stake here. The reduction of distributive conflicts and the creation of a strong middle class are tied, assuredly, to the income level, but they are also, and perhaps mainly, dependent on redistributive policies. The level of education in turn depends, above all, on the choices concerning public expenditure which can also be determined by the nature of political regimes. For Amartya Sen, for instance, democracy is responsible for the fact that the state of Kerala displays the highest literacy rate in India despite being one of the poorest regions in the country (Sen 1999). Thus, availability of means, certainly a crucial question for human rights and democracy (see Archer 1995), does not seem to be that decisive where the above issues are concerned. Furthermore, several empirical studies seem to show that there is no relationship between the level of income per head and democracy.

James Robinson, for instance, finds that if income and democracy are correlated it is because the same features of a society simultaneously determine how prosperous and how democratic it is (Robinson 2006). In the above mentioned study Adam Przeworski and others, although sustaining that wealth has an effect on the survival rate of democracy, nevertheless find that it seems to have no effect on the emergence rate of democracy (Przeworski et al. 2000). Other studies reach this same conclusion, which is that there is no linkage between wealth and democracy (see for instance Acemoglu et al. 2005). The fact that one can find all sorts of combinations between income levels, or growth records, and the democratic or the authoritarian nature of the political regime (Leftwich 2000) reinforces the conclusion that the income level is neither a decisive obstacle nor a precondition to democratization.

In fact, more than an argument to explain the lack of democratization, it seems that insufficient wealth has repeatedly been used by autocratic governments mainly to justify their unwillingness in engaging in a democratic transition and ensuring poor people their political as much as economic and social rights. In 1968, slightly after a successful military coup, an Argentinean government official told Albert O. Hirschman that only when the country had attained economic stability and a certain level of economic growth would it be ready for the reinstatement of civil liberties (Hirschman 1988: 112), a typical reasoning of the Latin American *desarrollismo* of the 1950s that presupposed democracy to be precisely a consequence of economic development, a process which Samir Amin critically classified as a mere modernization of dictatorship, leading only to the perpetuation of repression (Amin 1989).

## **The Social and the Economic Structures**

By declaring that, in Africa, there could be no democracy without the reduction of inequality, respect for the environment and better access to education and health, René Dumont, in a slightly but significantly different register, shares with Lipset the point of view according to which there is an economic conditionality to democratization (Dumont 1991). The introduction of inequality in Dumont's accusation radically changes Lipset's perspective, however. Indeed, it is no longer the absence of development alone, in other words *un-development*, that is being prosecuted, but the presence of a particular mode of development, called underdevelopment, a concept that will be slightly developed towards the end this argumentation.

If the impact of income on democracy is far from being very convincing, its distribution, on the contrary, seems to gather a much broader consensus as we have seen before. It was also stressed that income inequalities are at the origin of many other inequalities hindering democratic participation. Indeed, inequalities in the access to land, education, status and knowledge constitute just as many inequalities in access to political resources that can result in the political under-representation of the poorest social groups. Without access to these resources many people are simply not able to make their voices heard, particularly in developing countries where, furthermore, many other obstacles to political expression stand in the way.

If the unequal social structure can be an obstacle to democratization, so can the economic structure. From a slightly orthodox economic standpoint one can say that, if rulers are so weakly inclined to democratize their countries, despite the fact that there is some sort of a second-rank consensus to consider democracy as the best political system for economic development (see Branco 2006b), it can only be because they are not interested in democratizing, or in other words because democratization goes against their best interests. An autocrat will rationally resist democracy, therefore, if this means that in the process he will lose more than just political power (Robinson 1998). This behaviour is consistent with a classical and institutionalist compromise theory that considers institutional change to preferably occur when agents who possess power perceive the advantages of pursuing their private interests according to different rules of the game (Grindle 2001; Robinson 1998). The crucial question becomes, then, why losing political power constitutes an attack on rulers' economic interests.

Economies in developing countries, most especially in Africa, are frequently dependent on the export of a scarce variety of natural resources or plantation crops. According to data released by UNCTAD for 2004 amongst the thirty nine African countries for which figures are available, 75% of export revenues depend on three or less commodities in 17 countries; 50 to 75% of these same export revenues depend on three commodities in 12 countries; and only in 10 countries do the three major export commodities represent less than 50% of export revenues (UNCTAD 2007). Now, this particular economic structure has shown a tendency to lead to *loot-seeking* activities. In other words, through monopoly, excessive taxation and corruption, rulers have had a relatively easy opportunity to grab a considerable share of their countries' resources. This kind of appropriation of national income is clearly opposed to democratic, problem-solving distribution of national wealth, even more so when the ruling elites constitute a small group.

Indeed, the gains to an extractive strategy, a euphemism for loot, are closely related to the size of the ruling elite group and, when the elite is scarce, each member can expect a larger piece of the pie and so, the smaller the elite group, the greater the incentives to be extractive. Now, following the same line of thought, the greater the extractive character of the economy, the greater the risk for the elite's members of becoming political losers, i.e. of losing their economic and social status if replaced, which, in turn, favours authoritarian strategies to hold on to power. Furthermore, this kind of economic structure does not favour the rise of new elites that, along the lines of agency theory, would engage in political struggle with the already installed elites and would end up forcing them to accept the democratic game (see Mazo 2005).

In fact, these contradictory incentives are not only characteristic of economies dependent on a few natural resources or plantation crops. The overwhelming presence of the State in the economy, more frequent particularly in the case of economies dependent on natural resources such as oil, is also an important factor of a democratic deficit. Robert Dahl shows how the economy in the America described by Alexis de Tocqueville in his *Democracy in America* was based on highly decentralized individual farming, which gave few opportunities to politicians to have access to the resources and therefore favoured democratic development (Dahl 2000). When, on the contrary, politicians have access to the nation's resources through government, it is harder to convince them to peacefully transfer power to rival political groups.

It is not all too unexpected that this kind of economic structure incites rulers to hold on to power. Indeed, with the notable exception of Botswana, most African countries that rely on natural resources are having more trouble either democratizing or consolidating democracy than others. Angola (see Campos and Marques 2005), Nigeria, the Democratic Republic of Congo, Sierra Leone or Equatorial Guinea are good examples of this phenomenon.

Now to a great extent this economic structure is the result of the particular place that has been assigned to developing countries in the international division of labour since the nineteenth century, in other words from the beginning of the global economy propagation. The international aspects of this economic structure are also conducive to fettering democracy, as a matter of fact. There is a consensus on the fact that the logic of boundless capitalist development leads to the intensification of international trade and to specialization. In this sense, the recent burst of globalization may constitute another obstacle to democracy in developing countries because it reinforces the already mentioned vicious dependency on natural resources in many countries, with special regard once again to Africa. Indeed, not only has this dependency not been overcome, but other negative aspects, such as the deterioration in the terms of trade, contributed to exacerbating this dependency.

The evolution of the terms of trade has not been historically favourable to developing countries and the situation seems to have grown worse over the last decade. As far as agriculture export commodities are concerned, in sub-Saharan Africa for example, the terms of trade index, base 100 in 1990, shrank from 185 in 1960 to 85 in 2000 (UNCTAD 2005). This not only affects the availability of means (i.e. the level of income) which can influence democracy, but also forces countries to insist on expanding their few foreign currency producing economic sectors, in other words it leads them into reinforcing specialization and perpetuating an economic structure unfavourable to democracy.

### **The Colonial Heritage and Democracy**

There seems to be some generalized recognition that it is easier for a culturally homogenous country to democratize than for a country with deeply differentiated and conflictive subcultures (see Dahl 2000; Bardhan 1999; Leftwich 2000; Boutros-Ghali 2003). Has globalization played a role in the production of such a situation? If one admits that social and economic structures are, in essence, historically determined, one cannot avoid referring to the several hundred years of European colonial rule under

which the great majority of developing countries lived until the independences. In relation to the theme of democracy, colonial heritage can influence democratization insofar as it has been determinant in shaping both the social and economic structures and in trapping cultural diversity within the limits of arbitrarily designed territories.

In many developing countries, and especially in Africa, both the excessive specialization and the alienating dependence on volatile external markets, whose effects on democracy have just been seen above, are essentially an historic heritage of European colonizers and the fact that they were mainly interested in exploiting natural resources and exotic crops (Frank 1966; Jalée 1973; Amin 1973 and 1977). In turn, the fact that the colonial administration delegated the day-to-day running of the State to a small domestic elite (Acemoglu et al. 2001) as well as the low investment made on educating the native population, partly explains the existence at the time of independence of a small elite group, almost exclusively connected to either extractive activities or colonial administration.

After having taken control of the State, these elites received few incentives to change the institutions and consequently favoured the undemocratic and extractive institutions that prevailed in the colonial era (Acemoglu et al. 2001). A comparative study of Botswana and Lesotho provides an enlightening example on this subject. Despite sharing the same traditional ruling institutions in pre-colonial times and being culturally very close, Botswana evolved towards a democracy whereas Lesotho did not. The reason for this divergence could be sought in the recent history of the two countries.

The limited impact of colonial rule in Botswana, as compared to the experiences of many other nations in Africa, South America or the Caribbean, allowed the continuity of pre-colonial institutions and the elites that came to power after the independence were only partly members of the former administrative elite (Acemoglu et al. 2002: 23). The power, therefore, became essentially delegated, in other words democratic. In Lesotho, on the other hand, the wars against the Boers and the fact that the British were much more interventionist undermined the traditional institutions and contributed to the centralization of political power in the hands of the colonial elites (Acemoglu et al. 2002: 29), in other words pushed this country towards authoritarianism.

Finally, the colonial heritage can also partly explain the recognized difficulties in democratizing multicultural states. Indeed, the colonial administration is not only responsible for the imprisoned cultural diversity, by designing administrative regions upon which the new nations were to be built regardless of their cultural profile, but also for the invention of ethnical diversity (Branco, 2006). The methodical slicing up of native populations into tribes and ethnic groups was usually done with the purpose of controlling vast territories with only a handful of expatriated administrators, as the British did in Nigeria, or the Belgians did even more paradigmatically in Ruanda Urundi, which later gave birth to the two independent countries, Rwanda and Burundi, through the well-known artificial definition of pseudo-anthropological and cultural differences between the Tutsis and the Hutus, in order to justify the delegation of the colonial executive administration into the hands of the Tutsi minority.

## **Structural Adjustment and the Debt Burden**

The debt burden, and the consequent need to face international financial commitments, has pushed developing countries in exactly the same direction as colonization. The structural adjustment programmes, for example, especially designed to ensure debt repayment, have forced these countries to adopt policies that have seriously affected the conditions for the rise and consolidation of democracy. Firstly, many developing countries were obliged to overemphasize their commercial objectives at the expense of their social objectives. In consequence, not only the struggle against poverty and the effort to raise the level of education were slowed down, but the economy became more dependent than before on the export of natural resources as well (see Mazur 2004). Furthermore, adjustment programmes were also responsible for the increasingly unequal distribution of income (Bello 2006: 1354; Leftwich 2000: 145).

Finally, it seems quite clear that structural adjustment policies were so rough on people that very often their very execution implied slowing down and even abruptly stopping democratic processes. Concerning Chile, Walden Bello (1996) suggests that, on account of the sacrifices demanded of the population, only a dictatorship like the one established by general Augusto Pinochet on 11 September 1973 could have managed to implement such a harsh structural adjustment programme without igniting a social uprising. In turn, Miguel Teubal shows how, in a more gentle manner, the governments led by former Argentinean president Carlos Menem, with the pretext of structural adjustment, passed more bills by the expedient of decrees of *Necesidad y Urgencia*, in other words without parliamentary approval, more often than all the preceding governments added together (Teubal 1996: 212).

One should not be surprised, therefore, if when asking the rhetorical question about what would be the political regime most favourable to structural adjustment, Henry Biennen and John Waterbury answered that it would be one where votes do not count (Biennen and Waterbury 1992: 396). In some other cases Structural Adjustment Programmes reinforced the negative aspects for democracy of cultural diversity. In Ghana, for instance, Kwame Nimako sustains that the retrenchment policies associated with Structural Adjustment Programmes fuelled nepotism and were used to discriminate against people from certain ethnic groups, namely in their access to influential positions (Nimako 1996).

Structural adjustment programmes could have played an important part in the democratization process, however. The emphasis put on the private sector was an important tool in counterbalancing the State, which was crucial for dismantling the loot-seeking system mentioned above. Instead, it contributed mainly to the draining away of the positive role of the State and the private sector attributing to it the responsibility of curtailing human rights (Mazur 2004: 67). Last but not the least, the fact that these programmes were presented to developing countries as the only alternative to reconciling financial orthodoxy and development did not leave, one must admit, much room for democratic debate.

## **Globalization and Underdevelopment**

Concerning the well-being of populations, statistical data portraying un-

development and underdevelopment may roughly be the same, but these two concepts nevertheless refer to two very different phenomena. If rich countries were once as poor as poor countries are today, in other words undeveloped, they were never underdeveloped, as André Gunder Frank (1966) puts it quite bluntly. Underdevelopment, therefore, should not be mistaken for mere absence or delay in development. Underdevelopment is not an absence, it is a presence – the presence of a particular form of capitalist development that has been called dependent development (Cardoso and Faletto 1981; Dos Santos, 1978; Frank, 1966). Underdevelopment, therefore, is not only characterized by low levels of income, industrialization, urbanization and education, it is also and more especially characterized by strong inequalities, not only concerning income distribution but also access to means of production, education and health, by a handicapping history of colonial and neo-colonial domination which evolved into a particular and unequal insertion in the world economy, consubstantiated in an undiversified economy, predominantly directed towards the export of primary goods, unequal distribution of trade benefits and burdensome external debt.

This type of underdevelopment should not be taken as the result of some sort of incapacity in overcoming essentially endogenous obstacles, but as the outcome of the global development process itself; in other words, it would be the product of the evolution and consolidation of what Immanuel Wallerstein called the capitalist world-economy (Wallerstein 1984). Thus, underdevelopment and authoritarian governance in developing countries should not be ascribed to an alleged weak degree of integration into the globalization process. Indeed, this underdevelopment theory sustains that, quite to the contrary, developing countries have been deeply integrated in the globalization process since its very beginning, starting from the so-called great discoveries by Portugal and Spain and then followed by the colonization enterprise carried out by England and France, or to a lesser extent the Netherlands, Belgium and Germany.

According to this interpretation, opposing rich countries (entitled the Core) to poor countries (in turn entitled the Periphery), the development process of the Core has been fuelled to a certain extent by lower development in the Periphery. Indeed, Europe's industrialisation was not based on acquiring raw materials from the rest of the world as much as on forcing industries elsewhere to go out of business (Knox et al. 2003: 74). Underdevelopment, therefore, is not just a by-product of the development process in the Core but one of its constitutive features. Consequently, underdevelopment does not result from the absence of globalization as preached by many, but it is one of the constitutive features of globalization itself. In other words, underdevelopment is the outcome of the role that was assigned to the developing world within this same globalization in a scheme of a two-tiered global economy characterized by the conflict between the Core and the Periphery, a conflict that eventually became more complex with the intrusion of a third party, the Semi-Periphery, which meant adding a third tier to this scheme (see Knox et al 2003: 73-75).

## CONCLUSION

The intention of this paper was to argue that concerns, often expressed by even some of their more enthusiastic heralds, about the low content of democracy in the process of economic globalization are indeed well-founded, but mostly in showing that

the phenomena that gave rise to these concerns are far more complex than has generally been put forward in public debate, namely in the media. Indeed, the undemocratic character of globalization is not restricted to a mere collection of anecdotes about a global bureaucracy unable to address issues raised by global citizenship. Not only does one discover that democratic erosion is a firm tendency of the dominant economic model - market capitalism - but also that counteracting it demands far more than just procedural reforms.

The main impending threat for democracy today does not concern the rise of a totalitarian (or *globalitarian*) ideology that would question individual freedom, taken in the classical sense as that individual liberty which is limited only by another individual's own liberty. It concerns the destruction of politics. Democracy can only find its deeper meaning when it incorporates a collective ideal, a progressive utopia, in other words a project for bettering each citizen's life. This project supposes a dynamic of change, to which globalization claims to subscribe as a matter of fact; but progress is not a synonym for change. Change is observed by looking into the past and can be taken as a scientific fact unadorned by value judgements, in other words change can happen for better or for worse. Progress, on the contrary, must be built upon ethical values and it projects itself into the future. Thus, in a democratic society one should be able to decide what values one cares about most and then design an economic system that strengthens these values. Globalization, however, tends to narrow rather than to widen the scope of the possible and therefore the ability to choose one's own path.

One of the objections to this critique of globalization might consist in saying that people's powerlessness in being able to impose their own choices is not new and that it is not necessarily the outcome of globalization alone. In other words, without globalization things would have probably turned out the same way. That may be true, but what needs to be stressed at this stage is that globalization does not contribute to changing the situation; on the contrary, it contributes to making things even worse. Imagine oneself as a prisoner unfairly convicted to a life sentence. Imagine then being transferred from a normal prison, where there is some chance of escape, to a maximum security prison, where the chances of escaping are close to none. This transfer is not responsible for the fact that one has been unjustly imprisoned. Indeed, the new prison did not change in any way the fact that one was condemned to spend one's life in prison. Nevertheless, from one's own particular point of view, the fact that from now on the prospects of escape are nil constitutes a further not insignificant constraint in addition to one's original despair.

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