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ARE CAPITALISM AND DEMOCRACY COMPATIBLE TO EACH OTHER? LESSONS FROM AMERICAN TRADITION OF LIBERAL DEMOCRACY

1. Introduction

This paper examines the compatibility of capitalism and democracy by looking into the forces and processes that caused momentous changes in the American tradition of liberal democracy. Historically, liberal democracy tended to blend two inherently opposed political and economic forces — democratic politics and market capitalism. This paper traces through the rough passages of liberalism (market capitalism) and democracy in the United States throughout the last four centuries — seventeenth through twentieth — to understand the underlying dynamics that made the partners of the odd-marriage compatible to each other. It appears that the United States attained the compatibility of liberalism and democracy under the banners of liberal democracy by drastically modifying the original meanings and interpretations of these historically opposed ideologies. The revised concepts of liberalism and democracy no more stand for *laissez faire* economy and popular participation or equality in political processes, as envisaged by the classical liberals. Instead, modern liberal democracy thrives under the rubrics of oligopolistic competition (managed capitalism) in the economic arena and formal

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and institutional participation (elitist-political competition) in the political legitimization processes.

The paper is organized as follows. Sections 2 and 3 examine the evolution of the concepts of liberalism and democracy respectively, while Section 4 focuses on the empirical fusion of these ideologies in the context of the United States. Section 5 analyzes the tensions and compromises that characterized the American expedition of liberal democracy over the centuries. Section 6 focuses on the specific values and characteristics that build the edifice of American Exceptionalism (explained below) and Section 7 concludes.

2. Liberalism and Market Capitalism

Liberalism, both as an ideology and as an actually practiced economic system, has diverse historical roots and sources of nourishment spreading over several centuries. As a result, numerous strands of thought emerged on the concept of liberalism, broadly conceived as capitalism—a market-oriented economic ideology. Three major strands of liberal theories can be anthologized from these thoughts. One strand of thought owes its origins to the seventeenth and eighteenth century classical liberals, such as James Mill, Jeremy Bentham (1748-1832) and John Stuart Mill (1806-73). Being dissatisfied with the rigidity and inequity of ancient privileges, divine/religious and other kinds of arbitrary authorities, they wanted freedom from the constraints of all kinds of arbitrary power. Couched in terms of “freedom from” rather than “freedom to,” their conception of freedom referred to a zone of non-interference, which was characterized with “absence of external impediments.” The wider the area of non-interference, the wider would be one’s freedom, they believed.

According to this strand of thought, all social relations ought to be based on mutual and free consent of equally sovereign individuals. These liberals believed that the government arises out of a voluntary

association of free, equal and rational individuals who had joined in civil society to protect their natural rights to life, liberty and property. Such a government, they believed, had no other end than the preservation of these rights bestowed on it by the free will of those who have joined the civil society by sacrificing some of their sovereign rights.¹ Stretched further, this interpretation of liberalism that envisages a smaller role of government, will make it the prime function of the government to promote private interests and by the same token, this will lead to an almost absolute right of individuals to "relentless and unlimited accumulation of material wealth" (Hartz 1955).

A second strand of liberal thought has been espoused by the nineteenth and the twentieth century liberals, such as T. H. Green, Hobbhouse and Montague. These liberals defined freedom from a positive standpoint and introduced egalitarian concepts into liberal theory. "Freedom is," Green asserts, "the positive power or capacity of doing or enjoying something worth doing or enjoying, and that, too, something that we do or enjoy in common with others" (cited in Cohen 1972, 486). According to Hobbhouse, freedom does not rest "on the claim of A to be let alone by B, but on the duty of B to treat A as a rational being" (cited in Elliott and Scott 1987, 70). Obviously, these liberals are opposed to the classical thinkers who couched the concept of freedom from a passive, negative standpoint.

A logical extrapolation of such a conception of freedom would suggest an active role of the state and certain governmental restrictions on the promotion of private (individual) interests. Harvard Professor John Rawls (1971), a twentieth century champion of this strand of thought and a strong advocate of an interventionist state, maintains that unbridled role of the private sector may lead to massive

1. John Locke (1861) puts it succinctly in *The Second Treatise of the Government*, "The great and chief end, therefore, of man's uniting into commonwealths, and putting themselves under government, is the preservation of their property, to which in the state of nature there are many things wanting." (Wootton 1993, 325).

social inequalities, and an unjust society, thus created, can be removed only by the interventions of state authority. In other words, he finds little difficulty in injecting heavy doses of distributive justice in liberal theories and championing a welfare state under a liberal set up. Rawl makes powerful arguments that economic inequality can only be justified if the least advantaged member of the society derives economic benefits from these inequalities.²

A third strand of liberal theory is espoused by twentieth century thinkers like Milton Freedman, Frederick Von Hayek and Robert Nozick. These neoclassical liberals oppose all governmental interference in peoples' lives beyond what is necessary to ensure the preservation of basic rights. They argue that liberal society must return to the classical *laissez faire* economy as espoused, for example, by Adam Smith in the eighteenth century.³ The interventionist role of the state, as practiced under the New Deal, for example, is an anathema to liberal democratic principles. Hayek (1960) argues that no free society can make distributive justice its aim without putting distribution under control of public authority, thereby narrowing the range of personal freedom and increasing the domain of the government. Envisaging economic freedom as a precondition for political freedom, Freedman (1960) argues that only an economic system that organizes bulk of economic activity through private enterprise system can maintain economic freedom. Harvard Professor Robert Nozick (1974, 297), another vocal exponent of this strand of thought, took the argument to its logical climax by maintaining that "no state more extensive than the minimal state can be justified" and

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2. John Rawl (1971), in fact, provides theoretical justification to a welfare state, at least to an interventionist state, under the umbrella of liberal democracy in the context of the United States. For details, also see, Koerner (1985, 312-21).
 3. Adam Smith, in his classical work *The Wealth of Nations* (1776), argued that the government has four basic functions in a market-oriented economy: defense, foreign relations, maintenance of law and order, and finance. He strongly advocated that anything that can be left out with the private sector, should not be the business of the government.

further extension of the state, beyond the scope of the minimal state, is a direct threat to individual rights and, therefore, unjustified in a liberal democratic setting.

3. Democracy

Winston Churchill (1960) is right, in arguing that democracy, with all its limitations and imperfections, is still the best among all political doctrines ever invented and practiced by the humankind. The problem with the concept and practice of democracy, however, is that there are no two democracies in the world that are alike. It would, therefore, be a futile exercise to strive for a universally accepted conception of democracy. This paper looks at democracy in its historical sense. Historically democracy has been couched as an anti-capitalist political doctrine (Macpherson 1977, 15-17). The central contention of democratic governance was popular control of the government. Historically, democracy primarily preached two central messages — participation and equality — although scholars differed on the lengths and breadths of participation and equality in a democratic system.

Often scholars championed different opinions while belonging to the same school of thought. For example, classical liberal thinkers, such as James Mill and Bentham, whom Macpherson (1977) labeled as exponents of “protective democracy,” viewed widespread participation of individuals in the political system as a primary goal of democracy and ensuring private interests of individuals as the primary function of a democratic government. J. S. Mill, another prominent classical liberal on the other hand, believed that protective democracy was inadequate for ensuring a just and moral society because every human being needed both nature and nurture (meaning education and upbringing) for his fullest development. He, therefore, emphasized, what Macpherson called “developmental democracy,” which would encourage participation as well as equality by providing education to the masses. Viewed from this perspective, one may argue

that J. S. Mill, unlike other classical thinkers of his age, believed in a more active government.

While J. S. Mill emphasized more on the equality element of the classical democratic thought, Jean Jacques Rousseau (1712-78), did the same with the other major component of democracy — participation. Like the exponents of the second strand of liberal thought explained above, he emphasized a positive definition of liberty. But his articulation of the concept of liberty as well as participation goes well beyond that of those liberal thinkers. Rousseau's conception of individual liberty emphasized realization of an individual's potential as a rational human being, not only material advancement as espoused by some classical liberal thinkers. While classical liberals were happy with a government that promoted negative liberty — freedom from external constraint — thus guaranteed a private sphere of existence (Brugger 1985, 20), Rousseau's emphasis was, on the other hand, on positive liberty. For him, by entering civil society, human beings give up all rights, except their liberty. For him an ideal government guarantees that "no citizen shall be rich enough to buy another, and none so poor as to be forced to sell himself" (Bramsted 1978,201).⁴

Rousseau's democracy, therefore, calls for positive government action whenever economic imbalance threatens individual liberty. Moreover, Rousseau's democracy is a participatory democracy, not a representative one as couched by classical liberals. He defines

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4. This statement of Rousseau parallels that of Locke in *The Second Treatise of Government* (1681):

The measure of property, nature has well set, by the extent of men's labor and the conveniency of life: non man's labor could subdue or appropriate all, nor could his enjoyment consume more than a small part; so that it was impossible for any man, this way, to entrench upon the right of another, or acquire to himself a property to the prejudice of his neighbor, who would still have room for as good and as a large possession (after the other had taken out his) as before it was appropriated. (Wootten 1993, 278).

No wonder, some scholars can persuasively argue that Locke was both for and the against the free market and both for and against the welfare state.

participation from a much broader perspective and his democracy calls for active participation of the people in the affairs of the state as conscious and involved citizens. Therefore, a logical extrapolation of Rousseau's thought would be an active government constantly under check of an actively involved citizenry.

The evolution of actual democracies over the centuries had been very different as well. Difference in economic, political and socio-cultural forces contributed to the emergence of different forms of democracy in different parts of the world. Barrington Moore Jr., in a seminal work published in 1966, saw the development of a democracy as "a long and certainly incomplete struggle" to attain three closely related goals: to check arbitrary rulers; to replace arbitrary rules with just and rational ones; and to obtain a share for the underlying population in the making of rules. Based on the comparative analysis of "alternative routes and choices" for modernization and democracy, Moore concludes that there are "clearly successive historical stages" and "methods of modernization" and historical preconditions for different "routes and choices" differ sharply from country to country, society to society.⁵ Samuel Huntington (1991), also observes that the development of democracy depends upon a combination of factors which vary from country to country, and over period of time they differ from wave to

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5. Moore (1966, 413-14) sketched four "alternative routes" to the political systems in the modern world: (a) the bourgeois revolution, a route that England, France, and the United States "entered at succeeding points in time with profoundly different societies at the starting point" (413); (b) the conservative revolution from above, a route that was fundamentally capitalist, but in the absence of strong revolutionary surge, "it passed through reactionary political forms to culminate in fascism as happened in Germany and Japan; (c) a route of dominant peasant revolution, mainly a communist variant as orchestrated in Russian and China — had their main but not exclusive origins among the peasants; and (d) the Indian variant — which has experienced neither a bourgeois revolution nor a conservative revolution from above or a communist revolution, but paved the way for modern industrial society.

wave of democratization. Among the long list of factors that Huntington found useful for emergence of democracy are: a market economy, a strong middle class, social pluralism, a strong bourgeoisie, consensus on political and social values and traditions of tolerance and compromise.

Modern democracy, insists Robert Dahl (1985, 58-59), must have at least five criteria: (a) equal votes, meaning votes must be allocated equally among citizens; (b) effective participation, meaning adequate and equal opportunity for each citizen to express his/her preferences; (c) enlightened understanding, meaning adequate and equal opportunity to validate his/her preferences; (d) final control of the agenda, meaning that *demos* must have exclusive opportunity to decide what to be decided or not by the democratic process; and (e) inclusiveness, meaning *demos* must include all adult members. James Barber (1995), prescribes three essentials of democracy: (a) a national government elected by the people — the elections must be clear-cut, regular and honest; (b) a constitution, which will be truly implemented, not just asserted; and (c) guarantee of human rights, such as the Bill of Rights in the United States. To check manipulation of these basics, Barber identifies four major requirements of modern democracy: (a) controlling violence — a democratically elected government must be able to control its police and military so that they act responsibly and obey the constraints of law; (b) providing freedom and equality — democracy demands equal liberties for all citizens and a democratic government must ensure it; (c) ensuring rule of law — law must be made openly by rational discourse and its impartial application must be ensured by a democratic government; and finally, (d) establishing reason — democracy requires a knowledgeable citizenry participating in frequent public political discourse.

It is true that over the centuries, the concepts and practices of democracy have undergone tremendous changes, and consequently, there had been tremendous changes in the preconditions or contexts

for the emergence as well as sustenance of democracy in a given society. Of course, there are many other scholars who would have many other criteria or conditions for emergence as well as sustenance of democracy. In fact, over the last few decades, especially since 1950s, substantial literature has emerged that set forth scores of preconditions and prerequisites for democracy. But after all these changes and transformations, even modern concepts of democracy have not diverged much from its original emphasis on values like equality and participation. Still an well functioning democracy requires that equals are treated equally and that all members of the community would have equal access to the right to participate in government (Cohen 1972, 612). Of course, democratic concepts are now much more precise, focused and sharpened. Among all the waves and ideas of democracy, however, the liberal democratic tradition, as exemplified by Great Britain and the United States, still remains dominant around the world (Kier 1966: Hallowell 1950; Huntington 1991; and Freidrich 1950).

4. The Great Fusion of Liberalism and Democracy

American liberalism begins with John Locke (1632-1704), the spiritual father of the American political ideology and discourse. American liberalism is couched and nourished almost exclusively following Locke's liberal philosophy. As Mark Kann (1981) remarks, "American liberalism began with Lockean liberalism, adapted it through revolution and reform and ultimately developed a single-minded attachment to it." Locke's social contract theory added a fundamental tenet to the American liberal belief system that private property was not created by civil society, but was prior to it and the government's basic function is to ensure individual's right to life, liberty and property (Bramsted 1978, 107). The notion that

individuals are born free and equal, and that they formed an integral part of the complex development of liberal society and its market economy, is essentially a Lockean axiom that has been proudly incorporated in the American Constitution itself.⁶

The American concept of individualism — that serves as the fountain-head of all political thoughts and practices in the United States — is based on Lockean ideology as well. Following Locke's teachings, American liberalism provided a robust platform for individuals to freely enter into contracts, make equal exchanges, and pursue their interests in the market, and thus favored market economy to both protect property rights and allow individual choices to determine resource shares (McLean 1983). The Lockean individualism, which Macpherson dubbed as "possessive individualism,"⁷ calls for the consent of the governed but emphasizes a limited but representative government, as opposed to positive or participative government as envisaged by the classical thinkers like J. S. Mill or Rousseau, or by modern liberal thinkers like Hobbhouse, Rawl or Green. His concept of individualism has more in common with the thoughts of modern liberal thinkers like Freedman and Nozick that prescribe almost open-ended economic opportunity for all. This notion of individualism attaches tremendous importance to capitalist mode of production and, in turn, justifies the emergence of the market place ideology. The right to property was deemed to be fundamental and its extension in civil society was considered justified

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6. The very language of Jefferson's *Declaration of Independence* reflects his familiarity with Lock's writings. "We hold these truths to be self evident that all men created equal, that they are endowed by their creator , with certain inalienable rights, that among those are life, liberty and the pursuit of happiness" vividly proves Jefferson's relentlessly Lockean overtone (Debates 1985, 50; Bramsted 1978, 225).
 7. Possessive individualism refers to subjective judgment driven behavior, which requires an absence of constraints and restraints that may prevent the individual from doing what he wants to do.

by appealing to the common good, and thus, contradiction between private property and public good was done away with.⁸

The core idea of Lockean liberalism, therefore, lies with the freedom of individual to realize his or her human potentials. Such a conception of liberalism clashes head-on with the concept of democracy, which generally refers to popular government. Originally, the liberals intended to restrict the principle of consent to be applicable only to themselves, and opposed the principle of consent whenever it was taken over for the lower classes.⁹ Fearful of majoritarian tyranny, the liberals saw in democracy a potential threat to individual freedom and the root of the fear lay with the liberal concept of individualism that sharply contradicts with democracy because the latter calls for majority rule, passive minority, popular participation, accountability, and such other values. On the other hand, pursuance of liberal principles is bound to constrain democratic authority as "liberalism would be protecting individuals from democratic tyranny, by granting them rights that can be used as moral trumps against the use of that authority" (Gutman 1983, 32). A flourishing liberalism would be still more dangerous for democracy as the growth of liberal rights is bound to further restrain the scope of democratic authority in a society.

American liberal democratic thinkers resolved the problem of contradiction between liberalism and democracy by espousing a limited and representative government, as opposed to an active and direct government. Here again, one can discern two major strands of

8. How heavily the Lockean individualism has been laden with the essential connotations of capitalism can be presumed from the following assertion of Locke: .

... though the things of nature are given in common, yet man (by being master of himself, and proprietor of his own person and the actions or labor of it) had still in himself the great foundation of property, and that which made up the great part of what he applied to the support or comfort of his being, when invention and arts had improved the conveniences of life, was perfectly his own, and did not belong in common to others. (Wooten 1993, 283).

thought. One strand points to the individual's right to pursue his own happiness, his own set of values, in an environment of minimal state interference. This strand will justify private property, favor market economy and allow unlimited accumulation of wealth by self-interested individuals. The other strand appeals to economic and social equality, it will call for positive government action to regulate it so that a liberal democratic system does not permit and perpetuate radically unequal segments of society. Tensions between these strands of thought are obvious as one unequivocally promotes capitalist market society, while the other strives to ensure that all its members are equally free to realize their capabilities. The controversy has its roots in the simultaneous existence of these opposite meanings of liberal democracy.¹⁰

5. The Contradictions and Compromises

Although such tensions and contradictions have continually subjected the evolution of the American liberal democracy throughout the last three centuries, it can be argued that the American journey of liberal democracy had been much smoother than some other countries, especially Great Britain.¹¹ One reason for this has been that unlike Great Britain, where democracy made inroads into capitalism, in the United States it is capitalism that made inroads into democracy. America began with democracy and by lacking feudalism, aristocracy and proletariats, it had a more placid passage to liberal democracy than what the British had experienced (Sombart 1906; Tocquville 1947). Still, the odd-marriage of the opposed forces

10. As Macpherson (1977,1) puts it, depending on the concepts, "liberalism can mean freedom of the stronger to do down the weaker by following market rules; or it can mean equal effective freedom of all to use and develop their capabilities. The latter freedom is inconsistent with the former."

11. Because of its focus on American liberal democracy, another dominant tradition of liberal democracy as exemplified by the British experience has not been elaborated here. For details on British experience of liberal democracy, one may look at Macfarlane (1989); Kier (1966); Hallowell (1950); Friedrich (1950) and Wallerstein (1980).

of liberalism and democracy in the United States often evoked sharp retrogressions as well as supports over the centuries (Hartz 1955; Pateman 1979). One can find at least two roughly different strands of thoughts in this regard. The exponents of the first strand of thought are critical of the intellectual origins of the liberal tradition — these thinkers centre their investigation around basic issues such as nature, origin, meaning and conditions of individual liberty. The other strand of thought focuses on the theoretical foundations of liberal democracy and is more concerned with the controversy around broader issues of compatibility of liberalism and democracy (Koerner 1985, 309).

American liberalism is shaped and reshaped by changing circumstances, but more by the experience of the American nation itself. Hartz (1955, 11-16) maintains that America had a “nationalist articulation of Locke” which sets forth a tradition which loves capitalism and fears democracy” in an European-style liberal political setting “without the European social antagonisms.” At the same time it succeeded in instilling a “born equal” mentality in virtually every common man who grew up with the mind of an “independent entrepreneur” (1955, 24-32). Every American thus felt two impulses simultaneously, “the impulse toward democracy and the impulse toward capitalism.” (1955, 89-95). The Whiggery¹², on its part, gave up the “false aristocratic frustrations” and “false proletarian fears” (1955, 110), developed a democratic capitalism, that electrified “the democratic individual with a passion for great achievement and to produce a personality type that was neither Hamiltonian nor Jeffersonian, but a strange mixture of both, the hero of Horatio Alger” (1955, 111-12).

The innovations of revolutionary era also played significant and far-reaching role in blending the opposed forces of democracy and

12. A British political group that dominated politics in the first part of the 18th century. Later, in the late 18th century, it transformed itself under the leadership of Gladstone by subscribing to liberal and reformist agendas.

market capitalism. The new conceptualizations of sovereignty, of representation, of constitutionalism by the Founding Fathers of America were undoubtedly historic. When Thomas Jefferson (1743-1826) wrote in the *Declaration of Independence* that governments derived their "just powers from the consent of the governed," he essentially advanced an idea of representation based on the direct and continuous consent of the people. The Founders altered the Lockean concept of consent¹³ by attaching consent directly to government and indirectly to the electoral process of sovereignty — a sovereignty that always lies with the people — with the individuals. The Founders articulated a new meaning of sovereignty that lies with the people and continuously exercised and guarded by them, and a new conception of constitutionalism. In place of the notion of a constitution as a depository of law and custom, which in turn defined citizen rights, institutional roles and distribution of powers within government, the Founders sought in constitutionalism a protection from government's tyrannical powers (DeBates 1983, 55-57). Through these reformulations, the end of government became a process, a process by which the citizen is actively engaged in the governing of the society the new idea of sovereignty and representation presumed a citizenry which is a continuous part of the government or which continuously grants the government authority (Kann 1980, 66-75).

Another deviation from the Lockean prescriptions comes from the notion of revolutionaries about the proper task of the government. Concerning the task of the government, Federalist Alexander Hamilton argued that virtue was unnecessary and the common good was in fact the result of interplay of private concerns. The proper function of the government is discovery of interests. Once discovered and articulated, the interplay of interests determined the shape of

13. Locke called for direct consent only when the people establish and overthrow governments. For Locke, consenting was just a one time affair in which individuals pledged their allegiance to a political society. Whereas Lockean consent was passive and assumed, the Founders' interpretation of consent demanded continuous consent.

policy and activities of the government. James Madison, another Federalist, on the other hand, argued that the achievement of the public good through the breaking of faction was the great purpose of constitution making. Jefferson was a more clear exponent of the necessity of public virtue and consciously articulated public interest. Independence was the key here, for both individuals and the branches of the government. Whatever the difference might be, all three founding fathers agreed that the durability of the Republic rested primarily on the ability of the constitutional structure to contain and control competing factions. The task of the government was "not only to compromise or act as an umpire but to extract from private interests a common good, or a new interest, previously imperfectly expressed" (Brugger 1983, 59).

6. The American Exceptionalism

The revolutionary era Americans viewed themselves as a special case, they believed in what is often called American Exceptionalism. They rejected the past as a repository of wisdom, cultivated in its place a lively connection between the present and the future, popularized natural rights, and "turned upside down the traditional justification by making authoritarian institutions the cause rather than consequences of human way-wardness" (Appleby 1984, 143). A number of specific exceptional qualities of American Exceptionalism can be identified that have conditioned and characterized the evolution of liberal tradition in the United States. First, American capitalism was born free, and did not emerge, as in Europe, from a feudal past. The population that settled in America had heavily middle class origins and thus, was specially susceptible to the liberal capitalist philosophy (Hartz 1955, 114-42). Second, no clear socialist or even left centre social democratic movement or party has taken permanent root in the United States (Sombart 1906, 33-54). American society not only lacked feudalism, it also lacked socialist tradition. Politically, two party system's dominance very effectively

discouraged any significant third party movement. Moreover, early extension of white male suffrage integrated workers into American political life. Thus transition here was relatively painless compared to Europe.

Third, economically, the superior material situation of the American worker has prevented the development of oppositional, social democratic tendencies in his country. Besides, the capitalist system through bonus and profit sharing arrangements helped to elicit a more favorable working conditions. Socially, the workers had the opportunities to become farmers or small proprietors, because of relatively easy access to land on an open frontier, and the relatively open or fluid American class structure. These elements contributed significantly to a unique, dual ideological commitment — on the one hand, Americans accepted the realities of transformation — the Hamiltonian vision, urbanization, industrialization and capitalism, on the other, they retained the political conclusions of Jefferson's dream, equality, liberty, democracy a virtually one class society (Sombart 1906, 55-58).

Fourth, the industrial corporate capitalism emerged in the United States out of agricultural proprietary individualism during the pre-civil war period, when America was overwhelmingly dominated by small farmers who were "capitalists in transition," and to whom capitalism seemed to be a variant of economic individualism. Because the socio-economic conditions were still dominated by small farm proprietors, socio-economic differences among workers, capitalists and farmers were also small. This type of social fluidity provided a highly optimistic ground in favour of compatibility of democracy and capitalism. As Hartz (1955, 17) points out, "The Jeffersonian theory, making land the indispensable base of liberal democracy, is quite an American matter." Andrew Jackson, the seventh president of the United States and founder of the American Democratic Party, provides another example of this capitalism-individualism connection. He criticized big government as oligarchic,

stressed the alliance of farmers, workers and small capitalist enterprisers to facilitate universal manhood suffrage and direct elections. Jackson believed democracy posed no threat to capitalism and like J. S. Mill, considered democracy essential for establishing and nurturing capitalism. But Jackson's capitalism which required democracy was closer to the Jefferson's dream than Hamilton's vision.

Fifth, between the end of the civil war and the depression of the 1930s, the radical conservatives, in contrast to classical liberal democrats, provided a defense of the "new corporate, industrial capitalist status quo, and identification of the American way of life with an oligarchy of wealth and a monistic dominance of society by business interests" (Elliott and Scott 1987, 76). The radical conservatives maintained that corporate oligopoly capitalism posed no threat to democracy because capitalism in the United States was a variant of agrarian individualism. Democracy, on the other hand, posed no threat to capitalism because working class voters accepted capitalism as a variant of individualism. The radical conservatives thereby put forward an workable and somewhat successful integration of democracy and the capitalist industrial mode of production. Their success, rested largely on its wide acceptance, synthesized the two mighty forces of the age — democracy and industrialism (Dahl 1985, 52-83). Instead of resisting the advance of democracy, the radical conservatives accepted popular government and proceeded to direct the government to its own ends. The success of radical conservatives in blending capitalism with democracy, however, transformed American man into economic man (Rossiter 1962, 153).

Sixth, the mid-twentieth century political theorists have largely concentrated to the protective function of democracy "how citizens can keep their rulers from becoming tyrants" (Dahl and Lindblom 1953, 273). They proposed solution with political competition and voting. They recognized the change from market capitalism to

contemporary oligopoly and managed capitalism. But they find nothing contradictory between capitalism and democracy. According to Schumpeter (1950, 251-61), a champion of this realist-pluralist school of thought, there is nothing like unique 'common good' or 'general will.' Democracy, in fact, refers to a system in which the people, through their vote, exercise the ultimate authority in selecting and replacing the leaders of government. While profit motivations in the economic sphere would, in a competitive market system, result in the socially efficient allocation of resources, politicians' interest in being elected and controlling the government, under a competitive political system, will also result in politically efficient delivery of political outputs (Cole and Wilber 1985, 14). According to this interpretation, like other kinds of governance, liberal democracy is also a rule by political elites and the most that can be hoped is that under this system people are able to exercise a moderate degree of indirect influence over political leaders. The elites are fearful of the tyranny of the simple majority and the deficiencies of democratic public decision making, and therefore, would impose limits on majority rule and government action in economic life.¹⁴

Thanks to the preponderance of these forces and the consequent compromises and modifications, American liberal democracy changed to such an extent over the centuries that some critics claim that the Lockean philosophy is completely irrelevant to modern day American democracy (Dunn 1969) or utterly outdated for the country as well (Wolfe 1977; Winthrop 1983). Although democracy and capitalism were never abandoned and political authority is still

14. This interpretation of democracy goes hand in hand with oligopolistic market system. In the market place of the contemporary United States, a few large companies control market for most of the goods and services — such as four or five large firms control airlines, cereal food, detergents, etc and a few large political parties — just two, to be precise — provide alternative platforms for politics. Such oligopolistic tendencies have gradually been limiting, if not retarding, competition in both the economic and political arena in the contemporary United States.

founded on the consent of the governed and the principles of democracy were revised and qualified to provide safeguard against the dangers of popular tyranny¹⁵ and democracy in America has increasingly been seen not as an end itself, but as a means to preserving liberty, individuality and diversity. Americans settled for limited democracy that neither threatens individual freedom, nor resists market place economy. A kind of democracy that does not call for totalitarian or majoritarian rule or active popular participation, but is satisfied with representative form of government.¹⁶ To curb authoritarian or majoritarian power of the rulers, the American Constitution provides a complex network of sharing powers and responsibilities under what is called "separation of powers," which instituted checks and balances between branches of the government, so that none of them can function or exercise power without obtaining active support from the other.¹⁷

15. This fear of popular despotism was best expressed by Tocquville (1947) as: "The subjugation of the representative to constituency, the control of the executive by the legislature, and the tendency toward popular election of judges, all indicated the omnipotence of the majority and a political order potentially destructive of minority viewpoints."
16. Hartz (1955, 40) puts it succinctly: "The emergence of American democrat, with his inner aristocratic, rural-urban tensions and his philosophy of assailing capitalists and aristocrats, and coming finally to the age of Whiggery democratization and the collapse of the American democrat, the record of American political thought is a veritable jig-saw puzzle of theoretical confusions."
17. It granted authority to the legislature to make laws, but bestowed veto power to the President and assigned the power of judicial review to the judiciary, so that legislations passed by the Congress can be challenged by ordinary citizens. The Constitution provides sweeping powers to the President for appointing key executives, but made those appointments subject to the consent of the legislature. The President is responsible for administering the affairs of the state, while the legislature has been given the sole authority of financial appropriations. For details see Hamilton, Jay and Adams (1961); Beard (1913) and Waren (1967).

Modern American liberals define liberalism in terms of market place ideology to justify the increasingly important capitalist mode of production. Their concept of liberalism refers to those political arrangements that facilitate "the accumulation of capital by removing traditional encumbrances to the market in labor power, encouraging a conception of man based on self-interest, and creating a government structure by those with ability in economic affairs." On the other hand, the revised democracy no more stands for its traditional values, like popular participation or equality, rather it is now defined "by the existence of certain formal political features, such as elections, a constitution and agreed upon rules of political discourse" (Wolfe 1977, 7-9). Thus, while liberalism emphasizes self-interest and provides justification for accumulation, democracy stands for united participation in the governmental process and legitimization for governmental action. So, under liberal democracy, both lost their original meanings and both are instruments for a political system that thrives as an odd mixture of both, more resembling odd marriage partners who cannot live apart.

7. Concluding Remarks

The early classical liberals of seventeenth and eighteenth centuries generally perceived capitalism and widespread democracy to be incompatible, on the ground that at least a moderate amount of property was necessary for effective participation in political life. From this common base, Rousseau, Jefferson and Andrew Jackson, were committed to widespread democratic participation. On the other hand, John Adams and Hamilton, were more committed to the emerging capitalism. The reformulated liberal theory of James Mill and Bentham stressed that capitalism requires democracy to protect the liberty and property of all citizens from the rapacity of arbitrary powers. J. S. Mill challenged both sides of this argument by arguing

that democracy both threatens and is threatened by capitalism. Thanks to all pervading nature of the subject-matter, the controversy continued through the centuries. At the centre of the controversy lies two different notions of democracy itself—whether democracy refers to a form of government or “the good society” itself, whether democracy is a means to an end or it is the end itself. The debate profoundly influenced the course of American liberal tradition by demanding continuous modifications in the meaning and practice of democracy and capitalism.

Faced by challenges from both the left and the right, liberals revised their doctrine time and again.¹⁸ Dogmatic insistence on *laissez-faire* gave way gradually to a belief in a degree of state intervention in the economy and to a notion of freedom which recognized close connection between economic inequality, social justice and political liberty. One segment of modern liberals (Rawl, Hobbhouse, Green) recommend the use of state resources for the promotion of both social equality and common good while seeking to enlarge the area of freedom. In other words provide the liberal democratic justification for welfare state. Another segment (Milton, Nozik, Hayek) opposes state intervention and stand for *laissez faire*-type liberal democracy. Here the debate centres around upgrading or downgrading of democratic or market principles — more democracy means less liberalism (capitalism) and more liberalism (capitalism) means less democracy. The challenge, therefore remains. The future of American liberal democracy would depend on how powerfully, realistically and how foresightfully a balance between liberal fears of

18. The changes had been so profound that some scholars, such as John Dunn (1969), forcefully argue that Locke's political philosophy has become completely irrelevant to the American experience. David Wootten (1993,11), a prominent authority on Locke, also agrees that Dunn was right in arguing that Locke could not see us coming. The word liberalism did not exist in his vocabulary. Nor did he have comfort our liberals have, of holding views that are widely approved.

misrule and democratic demands for popular rule can be orchestrated and sustained suiting the needs and demands of the 21st century American populace.¹⁹

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19. By all means, the struggle to work out a more widely acceptable democratic liberalism continues in the United States — both from theoretical perspectives and practical imperatives. Until, a middle ground is discovered "where the fear of misrule and the demand for popular rule intersect and support each other" (Damico 1986, 169), the tug of war between the democratic forces and those of capitalism will continue, and more democracy would continue to mean less liberalism and more liberalism would continue to mean less democracy.

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