

5 Democracy promotion

Neoliberal vs social democratic *telos*

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Introduction

What is the aim of democracy promotion? Is there a goal, end or *telos* of history that can be understood in terms of democracy? I defend a weak version of teleological reasoning: human history has been directed towards the ethico-political goal of realising democratic self-determination. However, ethico-political progress is contingent. Collective learning occurs via political debates and struggles under circumstances in which asymmetric relations of structural power tend to favour a particular outcome. Moreover, history is open-ended; even if a set end point has been achieved, the future must remain open, so there is nothing final about any *telos*. From this kind of post-Nietzschean teleological position it is easy to acknowledge that democracy is also about contestation over the meaning and substance of democratic self-governance.

It follows that the goal of democratization is constituted by different models of democracy, primarily neoliberal and social-democratic. In the neoliberal model, private property rights are primary. Only free markets can provide economic freedom, the key ingredient of democracy; thus commodification emerges as a key goal. For a social-democratic model, the welfare state provides an institutional form for further democratization and, eventually, realization of democratic socialism.

I argue that the social-democratic model is more in line with collective human learning and thus more advanced and progressive than the neoliberal model, but not confinable to a national state. A parallel argument is that also reflexively consistent transnational democracy promotion implies global democracy. Therefore, my conclusion is that at this world-historical conjuncture, a plausible *telos* of democratization is critical-reflexive global social-democracy, promoted democratically.

Considering the teleology of democracy promotion

When it is stated that ‘for the vast majority of the world, democracy is either the practice or the stated goal’ (McFaul 2004–5: 149), it is assumed that some nation-states have already reached the general goal of history, while others are

getting there. Democracy promotion is about facilitating the process of getting there. It is usually not specified whether democracy in this sense is supposed to be the ultimate goal of history or its deep intrinsic purpose, but the underlying assumption appears clearly teleological. The question is: is there really an end point of world history?

A strong version of teleology claims that there is an inherent, universal purpose or final cause for human history as a whole and that we can see this purpose, or final cause, already. In philosophy and social theory, the strong version of teleology has faced so much criticism (e.g., Adorno and Horkheimer 1979; Popper 1960; Foucault 1984, 2001; Lyotard 1984) that many scholars were taken by total surprise by the popularity of Francis Fukuyama's (1989, 1992) neo-Hegelian argument, according to which world history has now come to an end in economic and political liberalism. In order to make the argument that liberal democracy is indeed the ultimate goal, Fukuyama had to fuse normative arguments about the best principles for organizing society with a linear account of actual world history.

In this chapter, I am not arguing against teleological reasoning *per se*, although I think the strong version of geo-historical teleology is wrong. It is wrong because human history is not pre-determined and things can be otherwise in the future. All social events, actions and processes take place within open systems, in which a diversity of actions, mechanisms, fields and forces interact. Neither intrinsic nor extrinsic conditions of events, actions and processes remain constant. Social-historical systems change qualitatively, including through human learning, and new normative viewpoints and valid reasons can emerge. At multiple levels, the future is open-ended. Yet, not everything is contingent. There is a case for what I call critical-reflexive teleology, which provides a vantage-point for understanding and justifying the process of democratization.

There are good – and empirically confirmed – reasons to think that certain kinds of structures emerge in a logical order that constitute what can be called 'stages' (seen as iconic models of generic structures, idealized and abstracted from complex and in some ways also vague and ambiguous reality). Stages are inner generative of cognitive processing embodied in the *habitus* of individuals. Each stage is able to answer questions or problems unsolved at the previous stage. A partial analogy can be made between individual and collective learning, although there are also decisive ontological and normative differences between the two. As far as the valid part of the analogy is concerned, in both cases the sequence of cognitive stages is conceptual-logical rather than just empirically correct. This explains why an individual can reach higher stages in a sufficiently enabling context spontaneously and why the order of learning must be roughly the same in both cases. The generative structures of reasoning can come to be embedded in social practices and institutions, although this is always contingent on many things, including political struggles. Collective learning concerns both (i) natural laws, mechanisms and processes and (ii) social relations and human history.¹

1 Collective human learning explains the quest for democratization. Rules are
 2 not anymore taken as something external to individual actors and thus sacred or
 3 conventional in the authoritative sense, but rather come to be felt as the free
 4 product of mutual agreement and an autonomous conscience. In other words,
 5 actors come to understand that collective rules are the product of their autonomy
 6 and free, mutual agreement (Piaget 1977: 24–5; Kohlberg 1971: 164–5). Given
 7 this learning process, human history can be argued to be directed towards the
 8 ethico-political goal of realizing democratic self-determination, even if only in
 9 terms of logically ordered potentials.

10 Thus understood, democracy is not the only purpose or the ultimate end point
 11 of history, but it provides a normatively compelling long-term direction to world
 12 history. Collective learning occurs via political debates and struggles that can
 13 take the form of: consensus or compromise agreements; dialogues and debates;
 14 majority-decisions; manipulation of the background context; outright force; or a
 15 combination of these. Typically asymmetric relations of structural power system-
 16 atically favor a particular outcome. Moreover, history is open-ended: even if
 17 an end point should have been achieved, the future must remain open. In this
 18 critical-reflexive sense, there is nothing final about any particular historical *telos*
 19 such as democracy.

20 Within this framework (see also Patomaki forthcoming), I argue that when
 21 collective rules are understood as the free product of mutual agreement and an
 22 autonomous conscience, the precise *telos* of democratization must also be the
 23 free product of mutual agreement. Democracy is thus also about contestation and
 24 co-operative argumentation over the meaning and substance of democratic self-
 25 governance. It follows that the precise *telos* of democratization can be constituted
 26 in different ways, in terms of different models of democracy, whether actual or
 27 just potential. Moreover, consistent democracy promotion must itself comply
 28 with the principle of free, mutual agreement.

29 From this point of view, I focus on, and compare critically, two existing
 30 models of democracy, namely the neoliberal and social-democratic models.² I
 31 argue that when applied to the practices of democracy promotion, the generic
 32 lessons of collective learning can yield conclusions that go against the conven-
 33 tional wisdom of the Western powers-that-be. Instead of history ending in
 34 neoliberalized nation-states, it points towards global social democracy, which
 35 itself is also unlikely to be more than a temporary end point.

38 **The neoliberal model**

39 Standard liberal modernization theory has taken Britain and the US as the end
 40 point of linear progress in history (Rostow 1960). The most important practical
 41 problem of development, political and military ‘aid’ has been to get others there
 42 too. Since the 1980s, this starting point has often been replicated in accounts of
 43 democratization and democracy promotion. A cautious advocate of the neoliber-
 44 al model may of course qualify the basic idea in various ways:
 45

U.S. practice of democracy is itself flawed, tainted by antiquated practices such as the use of the electoral college, serious charges of disenfranchisement during the 2000 presidential election, and seemingly illiberal policies including the continued use of the death penalty. For many around the world, several democracies have become strong alternative and more attractive models to the U.S. practice of democracy.

(McFaul 2004–05: 152)

Also in this case, however, the ‘more attractive model’ is provided by an already-existing ‘democracy’, usually a North-Western European one. European states too have been neoliberalized and are struggling with the implications of Europeanization for democracy. These kinds of qualifications thus amount to relatively small differences within the same basic model. Similarly, Richard Youngs (2005) aims at illuminating the diversities and complexities of promoting Western-style democracy. Youngs’ account of the variety of opinions and positions among his interviewees is indeed useful to many students of democratization. Yet, Youngs’ image of democracy essentially replicates the established democracies. It takes for granted a narrow conception of democracy that is limited mostly to regular multiparty elections and confined within the borders of nation-states (Patomäki 2006; Eds: for Youngs’ view on debates on democracy see his chapter in this volume).

What is neoliberalism? The term neoliberalism first appeared in Germany in the interwar era 1919–1933, when a number of intellectuals and politicians wanted to qualify classical economic liberalism in order to make it more viable. In the 1960s, some pro-market Latin American intellectuals found these writings and started to talk about *neoliberalismo*, in admiration of the post-war ‘German economic miracle’. The early neoliberals coined the term social market economy. For these people, neoliberalism was a qualified form of economic liberalism that should assume primacy after the failure and marginalization of the classical economic liberalism after 1914 and especially from the early 1930s. (See Boas and Garse-Morse 2009, especially 145–50).

Milton Friedman and Friedrich Hayek were more conservative, however, and advocated a return to what they considered pure classical economic liberalism. ‘We neither can wish nor possess the power to go back to the reality of the nineteenth century, [however], we have the opportunity to realize its ideals...’ (Hayek 1944: 240; cf. Friedman 1955). It is in this sense that the term is nowadays used. Neoliberalism is a program of resolving the problems of, and developing, human society by means of competitive private markets. Competitive markets are assumed to be efficient and just and maximize freedom of choice. Competitive markets can be private and actual, or they can be simulated within organizations, whether private or public. Neoliberalism is comprised of in some ways contradictory theories, all of which can be developed in different directions; and yet all posit competitive markets as superior in terms of efficiency, justice or freedom, or a combination of them. Neoliberal theories also constitute a framework for identifying things and processes and seeing them as noteworthy

1 problems (e.g., inflation and state ‘competitiveness’ as the most important
2 politico-economic problems).

3 In neoliberalism, as in classical economic liberalism, private property rights
4 are fundamental and primary. They define the essence of freedom and the rule of
5 law. Any deviation from the rule of law would violate natural law or sacred
6 social conventions. Government should do nothing without the consent of
7 property-owners/citizens.³ The basic thrust of this idea can be seen as demo-
8 cratic, but many forms of liberalism have been, and remain, ambivalent about
9 the ultimate value of democracy.

10 Characteristically for the elitist model of democracy, Joseph Schumpeter rein-
11 terpreted the idea of representative government in terms of replacing the ruling
12 group or party with another section of the elite. Schumpeter went so far as to
13 maintain that elites in effect create the will of the people: ‘[...] the will of the
14 people is the product and not the motive power of the political process.’ (Schum-
15 peter 2008: 263) The meaning and significance of democracy is first and fore-
16 most in the guarantee that the national ruling elite can be replaced via elections,
17 i.e., that there is electoral competition within states. However, stability of the
18 capitalist socio-economic order is the main goal. In the Lockean-Schumpeterian
19 tradition, stability is preferred over uninformed and potentially dangerous parti-
20 cipation of people or ‘mobs’.

21 Followers of Schumpeter have argued that it is good if people belonging to
22 lower socio-economic groups are detached from politics (Almond and Verba
23 1963). Related criticism of democracy includes the ideas that social choice, as
24 aggregated from individual preferences, is problematic; bureaucracies and politi-
25 cians maximize their own interests and tend to make politics a negative-sum
26 game, which is detrimental to general welfare; and many democratic demands
27 have exceeded the capacity of states (for criticism, see Mackie 2003).

28 However, especially since the explicitly ideological days of Margaret
29 Thatcher and Ronald Reagan, things have become more complex. Neolib-
30 eralization has often been realized in incremental and technical terms. Actors
31 involved in implementing the day-to-day program of neoliberalization, espe-
32 cially in the OECD countries but also elsewhere, have usually taken for granted
33 the background of liberal democratic institutions and related human rights. Often
34 they fail to see the big picture that emerges from their own actions; and they tend
35 to assume that neoliberal theories, or memorandum and newspaper versions of
36 them, are compatible with fostering values not reducible to neoliberalism.

37 This is the background context of the mainstream attempts to promote demo-
38 cratization, whether in its US or Western European variation. For constitutive
39 reasons, then, the third wave of democratization has resonated dialectically with
40 the penetration of the neoliberal ‘new world order’ into every part of the world.
41 The claim to global legitimacy is based on the representation of the idea of
42 liberal-democracy and basic human rights (including property rights) as univer-
43 sally valid. One aspect of this resonance is the explicit democracy promotion by
44 the US, the EU and a number of international organizations such as the OECD
45 and various parts of the UN system. Mostly these Western or West-led actors

have been promoting ‘polyarchy’ (Robinson 1996), or ‘low-intensity democracy’, or what Held (1996: 157–98) calls ‘competitive elitist democracy’ (for an alternative account, see Youngs in this volume).

For instance, many spontaneous democratic civic movements have found external (Western) support, which has often been translated, once the democratic movement has entered government, into a full-scale program of neoliberal restructuring. However, the program of transforming state and society into private markets, in the context of rapid internationalization of many aspects of state governance (Gill 2008 talks about ‘neoconstitutional locking-in of economic liberalism’), tends to reduce the sphere of politics and democratic self-determination. Thus the processes of neoliberalization and liberal-democratization have been accompanied by a multi-faceted process of depoliticization (e.g., Teivainen 2002). The fact that at one point the IMF directly controlled the economic policy of every third sovereign state is another case in point. IMF governance has always been represented as technical, not political (Swedberg 1986). When democracy promotion means neoliberalization, participation through civil society is seen as especially worthy of support if it is based on the principle of private charity, thus reinforcing the primacy of private property; or if it promotes, directly or indirectly, economic freedoms (for an empirical example, see the chapter from Crawford and Abdulai).

Problems with the neoliberal model

How would it be possible to justify the idea that private property rights come before anything else; or are fundamental to any society; or are somehow beyond democratic politics, for one reason or another? Alfred Marshall, in his classic *Principles of Economics*, discussed characteristic justifications of the private ownership of the means of production. Before the time of French and Industrial Revolutions, authors defending private property rights tended to appeal to God or Nature (Marshall 1959: 625). In the nineteenth century, the appeal was made instead to Science. Marshall argued that the ‘authority of the science has been wrongly assumed by some of who have pushed the claims of vested rights to extreme and antisocial uses’ (Marshall 1959: 40). Marshall’s own approach was open-minded but (warily) pro-capitalist:

[...] in the past [the rights of private property] have been inseparable from solid progress; and that therefore it is the part of responsible men to proceed cautiously and tentatively in abrogating or modifying even such rights as may seem inappropriate to the ideal conditions of social life.

(Marshall 1959: 40)

The rhetorical strategies identified by Marshall have also prevailed in the twentieth century. Neoliberals such as Friedrich Hayek, Milton Friedman and Robert Nozick came close to assuming that rights of private property – as applied to means of production – are not merely customary but can be justified as given by nature or something equally metaphysical.

In the absence of space for a comprehensive discussion of all relevant thinkers, I focus, briefly, on Nozick's argument. Nozick (1974: 6) starts by asserting that the only complete and full explanation of the realm of politics is to explain it in terms of the non-political (he does not explain why an explanation would have to be reductionist in this sense). He further argues that the explanation and thereby normative justification of the state can be based on a logic that has nothing to do with real historical processes. What matters for Nozick are universal moral constraints and permissible and impermissible actions that would be valid also in a 'state of nature' (Nozick 1974: ch. 2). Nozick maintains that certain principles must rise from generalized reciprocity, especially rights of private property. These rights are fundamental; any deviation from them would be 'redistributive'. Only 'returning stolen money or compensating for violations of rights' (Nozick 1974: 27) are not redistributive but fundamental or 'natural'. Nozick asserts strongly that we must respect the separate existence of each person:

[...] there is no moral outweighing of one of our lives by others so as to lead to a greater overall *social* good. There is no justified sacrifice of some of us for others.

(Nozick 1974: 33)

To reach this conclusion, Nozick appeals to (the state of) non-political nature and uses loaded ways of posing the question, amounting to merely declaring that private property rights are universally and categorically valid independently of any real historical social processes.

Departing from Nozick's natural rights liberalism, neoclassical economics appeals to Science. A good example is Kenneth Arrow and Frank H. Hahn's *General Competitive Analysis* (1971). This tries to show, with mathematical certainty and precision, that the basic conclusion of Walras and other neo-classicists is valid: (i) competitive markets can yield an efficient Pareto-optimal equilibrium, and (ii) prices of factors can equal marginal productivity. This is more a theory of justice than of economic efficiency in any meaningful, realistic or empirical sense. As a theory of justice, it is an attempt to show in a mathematical-technical way that private property rights lead inevitably, through competitive markets, to an outcome that is the best possible world for all participants concerned.

It is interesting to note how Arrow and Hahn justify their analysis. 'At the moment the main justification [...] is that there are results to report on the *tâtonnement* [tentative proceedings] while there are no results to report on what most economists would agree to be more realistic constructions' (Arrow and Hahn 1971: 322). In line with Nozick, their argument is built on a fictional account of a possible world, not on facts about complex reality. By a 'result' they mean a mathematical possibility that a market system can solve a system of equilibrium prices.

From the point of view of the democratic principle that societal rules and principles are the free product of mutual agreement and the autonomous conscience of actors, the neoliberal project is contradictory and self-defeating. The

natural rights and general equilibrium approaches are clearly critical-reflexive attempts to define morality and ethico-political principles which have validity and application apart from the authority of the groups or persons holding these principles, and apart from the individual's own identification with these groups.

At the same time, however, the point is to prove that the existing liberal capitalist and – possibly – democratic institutions are non-political and beyond discussion. To prove that the rights of private property are 'natural', the authors must presuppose what they are trying to prove or appeal to pre-moral reciprocity which is a matter of 'you scratch my back and I'll scratch yours', not of generalized loyalty or gratitude or principles of justice. Alternatively, as in general equilibrium models, the authors must prove, in a manner that is beyond any doubt – that is, with the authority of mathematical Science – that free markets can be harmonious and just – even at the expense of conflating a fantasy world with the really existing, complex historical world.

While all complex societies tend, for good reasons, to associate personal belongings to one's personhood, the question is: how should we organize the mechanisms of control and regulation over the means of production? Any attempt to articulate public normative arguments in naturalist or pre-moral terms can only result in paradoxes and contradictions (e.g., Fried 2005). Attempts to anchor private property rights in Nature, Science or the Sacred also imply potential for anti-democratic and authoritarian practices, Chile 1973 being a case in point. Hence, it seems to me that the neoliberal model of democracy involves regressive moral learning and is ambivalent about the importance of democracy.

The social democratic model: a Rawlsian perspective

It is useful to compare natural rights liberalism and standard neoclassical economics to the political liberalism of John Rawls' *Theory of Justice*. Rawls (1973: 522–5) argues – in a historically more plausible way than fiction-based 'state-of-nature' arguments – that human powers require socialization, communication and learning in terms of conceptual and other resources developed by past generations; and that production in complex societies can only be based on social cooperation. This ontological-historical starting point also means that all humans are equal in their potential powers, generic moral personality and abstract sense of justice.

For Rawls, the first principle of justice is that each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others. Rawls specifically underlines that 'the right to own certain kinds of property (e.g., means of production) and freedom of contract as understood by the doctrine of laissez-faire are not basic'.⁴ The second principle of justice consists of two parts, specifying the way inequalities are to be arranged: a) they are to be of the greatest benefit to the least advantaged members of society (*the difference principle*); b) offices and positions must be open to everyone under conditions of fair equality of opportunity.

1 The choice of the shared institutions of political economy can never be only a
 2 matter of instrumental rationality. The choice of institutions also ‘determines in
 3 part the sort of persons they want to be as well as the sort of persons they are’
 4 (Rawls 1973: 259). Institutions are to foster the virtue of justice and discourage
 5 desires and aspirations incompatible with it. Justice always has priority over
 6 claims to efficiency. As a corollary, liberty (in the sense of free development of
 7 all) has priority even over objective social and economic advantages. For a con-
 8 science at this level of ethico-political learning, authoritarian institutions can
 9 never be justified.

10 In chapter 4, §36, Rawls develops a political sociology of democracy accord-
 11 ing to which social and economic inequalities tend to accumulate. Therefore
 12 ‘...inequities in the economic and social system may soon undermine whatever
 13 political equality might have existed under fortunate historical conditions’
 14 (Rawls 1973: 226). Political justice has two aspects:

- 15 1 It includes a just procedure satisfying the requirements of equal liberty of all.
- 16 2 It is to be framed so that of all arrangements which are feasible, it is more
 17 likely than any other to result in a just and effective system of legislation.
 18

19 Satisfying these conditions is not easy. It is misleading to read Rawls only as a
 20 mere supporter of a given list of tax-and-transfer policies or welfare state institu-
 21 tions. To the contrary, according to Rawls, the best institutional arrangement in a
 22 society cannot be determined a priori.
 23

24 In general, Rawls argues in favor of market-based political economy. Markets
 25 can ensure procedural justice (in terms of scalar distribution); are by and large
 26 consistent with equal liberties and fair equality of opportunity; and decentralize
 27 the exercise of economic power. However, ‘there is no essential tie between the
 28 use of free markets and private ownership of the instruments of production’ (ch.
 29 5, §42). This raises the question whether private ownership of the means of pro-
 30 duction is compatible with the general principles of justice? ‘To see the full force
 31 of the difference principle, it should be taken in the context of property-owning
 32 democracy or a liberal socialist regime’ (Rawls 2001: 420).

33 Rawls argues that ‘in a society allowing private ownership of the means of
 34 production, property and wealth must be kept widely distributed and government
 35 monies provided on a regular basis to encourage free public discussion.’ (Rawls
 36 2001: 225). Among other things, this means that there must be no private
 37 funding of political parties. Rawls (2001: 226) proposes steady dispersal of the
 38 ownership of capital and resources by the laws of inheritance and bequest; fair
 39 equality of opportunity is secured by provisions for education; and training insti-
 40 tutions that support the fair value of the political liberties. In socialism, means of
 41 production and natural resources would be publicly owned. A price system can
 42 still be used, especially for the purpose of allocating resources but less for
 43 distribution. There can be different combinations of state ownership and plan-
 44 ning and workers’ control of market enterprises. Both can be mixed in various
 45 ways with elements of a privately owned market system.

Rawls developed his theory of justice in the Bretton Woods era (1944–71). Neoliberalization made his theory much less self-evident or consensual. ‘I continue to think the difference principle important and would still make a case for it ... but it is better to recognise that this case is less evident...’ (Rawls 2001: 418–19). At the same time, Rawls seems to have concluded that the welfare state compromise was not sustainable; something more would be needed to sustain a just and democratic society. In a 1987 preface to the French edition, Rawls argued that ‘[welfare state efforts are] either insufficient or else ineffective given the disparities of wealth and the political influence they permit’ (Rawls 2001: 419).

The social democratic model from a historical-institutional perspective

Eduard Bernstein (1907) stated at the outset of the twentieth century that ‘socialism is a movement towards an order of society based on the [co-operative and democratic] principle of association’. It was in this spirit that the institutions of democratic welfare states were built during the Bretton Woods era and until the rise of neoliberalism in the 1970s and 1980s (see Berman’s chapter). Understandably, real world ethico-political struggles and historical contingencies resulted in various compromises. From a historical-institutional perspective, thus, there is no pure social democratic model. The following brief account of the underpinnings of social democratic emancipatory project comes closest to the Swedish model.

The universalistic social democratic welfare state is distinguished by the following features (modified from Meyer 2007: 137–8):

- 1 Legal entitlements to social services apply equally to all citizens (universal social citizenship).
- 2 Wage-replacement benefits can be nearly high enough to approach the claimant’s previous income level.
- 3 The social welfare state is overwhelmingly financed from general revenues and services are free or nearly free.
- 4 Apart from the health and education sectors, the system offers many other social services, for example in care of the elderly and morning-until-evening daycare.
- 5 An active family policy aims to allow women to enter the labor market on equal terms with men by providing complete daycare for their children and other supplementary services.
- 6 Job protection policies are generally supported by active labor market and adult education policies.
- 7 Centralized collective bargaining follows the principle of solidaristic wage policy across sectors, thus creating an impetus for labor productivity and technological dynamism.
- 8 The state obliges itself to pursue a macroeconomic policy of full employment.

1 The contrast with the neoliberal model of democracy is sharp. For neoliberals,
 2 the free market system can best provide freedom, justice and efficiency. Thus,
 3 commodification and the intensification of dependence on markets emerge as
 4 key political goals at all levels of society, also in areas such as education and
 5 health. In the social democratic model, the aim is largely the opposite, namely
 6 reduction of market-dependence and de-commodification in order to overcome
 7 the alienation and atomism generated by competitive markets (see Esping-
 8 Andersen 1990: 21–8, 35–54; Ryner 2002: 48–59, 85).

9 This is connected to developmentalist ideas about democracy. The welfare
 10 state is not an aim in itself but is rather meant to provide an institutional form for
 11 further democratization. As part of the idea that the choice of institutions ‘deter-
 12 mines in part the sort of persons they want to be as well as the sort of persons
 13 they and their children will become’, every citizen is granted free and equally
 14 good universal public education. Goals of education include well-informed
 15 public opinion and widespread civic virtues.

16 The purpose is also to counter established relations of class and power. In a
 17 society allowing private ownership of the means of production, accumulated
 18 property and wealth tend to be concentrated in a relatively few hands and can be
 19 easily translated into cultural classifications and political influence. However, the
 20 social democratic idea is that, through mass mobilization, labor can counter the
 21 economic power of private owners of means of production with political power
 22 in liberal democracy.

23 In the social democratic model, further democratization has often been taken
 24 to mean gradual movement towards democratic socialism. Thus various wage-
 25 earner fund proposals were advanced in Europe during the 1970s and 1980s
 26 aimed at receiving income from taxation (of profits) using it to accumulate
 27 capital on behalf of wage-earners. The more far-reaching proposals for wage-
 28 earner funds were attempts to socialize capital in order to give workers a share in
 29 capital formation and a say in corporate decision-making. Wage-earner funds
 30 were realized only in Sweden, and even there in a form that fell short of the
 31 original ambition behind them.

32 **Problems with the social democratic model**

33 The neoliberal model includes ideological elements, disguising mere faith in par-
 34 ticular non-grounded beliefs such as Science or Nature (cf. Klapwijk 2008),
 35 whereas the starting point of the theorists of social democracy has been the full
 36 recognition of the moral capacity of all actors to make judgments about any issue
 37 at stake. Therefore, the social democratic model operates at a higher stage of
 38 collective learning, and is ethico-politically more justified than the neoliberal
 39 model.⁵ There are philosophical reasons for this account – i.e., without the recog-
 40 nition of the possibility of collective learning all kinds of performative contra-
 41 dictions arise – but first and foremost it consists of hypotheses that can be
 42 falsified by means of empirical and historical studies. So far it has stood most
 43 tests well.
 44
 45

From a normative point of view, a key consideration is the degree of generalizability and the related capacity for abstract role-taking. These indicate plausibility and stability of judgements in differentiated and complex multi-actor contexts. Moreover, higher stage reasoning is simultaneously both more differentiated (involving a nuanced understanding of psycho-social realities) and more integrated (implying symmetry and consistence of judgements) than prior stages. Empirically, it has been established that higher stages are not only cognitively more difficult but also perceived by subjects as more adequate. This is in part because, as social contexts change also due to collective learning, earlier stages may seem increasingly obsolete and inadequate (Kohlberg 1973).

However, also the social democratic model is contradictory. Its main normative contradiction reflects the more general universalism/particularism contradiction of the French Revolution. The emergent abstract determinations whereby people could know themselves as one with their fellow citizens as (a) free and equal subjects of civil law (the citizen as private commodity owner), (b) morally free subjects (the citizen as private person), and (c) politically free subjects (the citizen as democratic citizen of the state), are best suited to the identity of world citizens, not to that of the citizen of a particular state. The modern human became *homme* and *citoyen* in one (Habermas 1979: 114–15). The same applies to universalist social democracy. Although in some cases the cosmopolitan promise has been explicit,⁶ in practice social democracy has been about welfare *states*.

Of the social democratic regimes of the Bretton Woods era, the Swedish model was probably the most radical and universalist. It was economically successful and sustained highly egalitarian economic policies for more than forty years, and translated those aspirations into a progressivist foreign policy of active neutrality of the Third Way (see Ryner 2002). A critical problem of the social democratic model is that, as liberal capitalist systems of production, exchange and finance expand worldwide, attempts to realize social democracy – not to speak of democratic market socialism – within the confines of a sovereign state eventually become unsustainable. Moreover, the trade-union based Keynesian social democratic model has also created its own bureaucratic and technocratic relations of domination, leading, over time, to various critical ethico-political responses.

The problems of the Swedish model stemmed from insurrections against local relations of domination at the workplace; transformation of occupational structures and class relations; the crisis of the Bretton Woods system for regulating the global economy; and the liberalization of the exit options of capital, among other processes (for a more detailed account, see Patomäki 2000; 2002: ch. 8). Together with the end of the Cold War, this interplay reinforced neoliberal-oriented discourses, which then replaced the earlier, rather Marxist, concepts of the theorists of the Social Democratic Party. This shift led to various articulations of the requirements of ‘new times’ and gradual changes in the meaning of the Third Way, constituting a new neoliberal framing of social problems.

The standard critical political economy explanation is that since the 1970s, policy-makers of all OECD countries have been liable to adopt monetarist and orthodox positions as a particular, biased response to perceived problems such as

1 stagflation that have emerged since the late 1960s; this particular and mostly
 2 false response is best explained in terms of a change in power relations in favor
 3 of transnational capital. According to this account, there were also objective
 4 structural and evolutionary reasons for this shift, for it originated, in large part,
 5 in changes in the relations of production, which can be summarized as a shift
 6 from the Fordist towards a post-Fordist regime of accumulation of capital.

7 However, the standard critical political economy hypothesis is problematical.
 8 Some authors rightly question the coherence of any distinct 'post-Fordist' regime
 9 of accumulation. What is called 'post-Fordism' is actually the result of a mixture
 10 of processes that include the deepening of consumerism and product differentia-
 11 tion (themselves important aspects of the on-going process of economic concentra-
 12 tion); the emergence of new communication and information technologies and
 13 thus new technological possibilities for organizing production across time and
 14 space; transformation of relations of power within the workplace in favor of the
 15 owners and professional managers; and the application of new (neoliberal) man-
 16 agement ideas of first in private and then in public organizations. Thus what is
 17 called 'post-Fordism' is actually more a result of the rise of neoliberalization
 18 than the other way around.

19 If my argument is right, the origins of neoliberalization lie in the discrepancy
 20 between territorial states and spaces of world economy, and in the struggles over
 21 income distribution and power in which some actors started to exploit this dis-
 22 crepancy.⁷ By the early 1960s, the re-integration of the world economy had
 23 opened opportunities for many private market actors to resolve their day-to-day
 24 problems by spatial relocation. Explicit political choices were also involved in
 25 the ensuing transformations. The key choice was made by President Richard
 26 Nixon in 1971, when he ended the link between dollar and gold. The choice was
 27 between unilateralism and multilateralism, but the former was justified also in
 28 terms of belief in 'free markets'. Ethico-political ideas associated with neo-
 29 liberalism entered the public sphere more forcefully only after 1971–3.

30 Throughout the Bretton Woods era, territorial states remained the main locus of
 31 regulation and the sole locus for tax-and-transfer policies. At the same time, the
 32 rules and principles of the Bretton Woods system and the GATT-agreement were
 33 meant to ensure liberalization and re-integration of the world economy. Once the
 34 movement towards democratic socialism had come to a halt and once the only
 35 remaining aim was to manage and civilize capitalism, the inherent tendencies of
 36 private market-related orthodox ideas took over. The structural power of trans-
 37 national capital and neoliberal globalization gained rapid ascendancy and the pro-
 38 cess of neoliberalization started to follow its own dynamic. This process has also
 39 generated the dominance of the neoliberal model in democracy promotion.

41 **Conclusion: a call for a global democratic framework**

42 Critical-reflexive consciousness understands that democratic principles and
 43 systems are the product of an autonomous conscience and human agency, and
 44 should thus be subject to free mutual agreement. When collective rules are
 45

understood as the free product of mutual agreement and an autonomous conscience, the precise *telos* of democratization – and other related normatively oriented processes – must also be the free product of mutual agreement. Because transnational democracy promotion must be grounded on this universalizing conviction and as it must be applied reflexively to one’s own practices, it calls for a global framework of democratic institutions within which different understandings and models of normative principles can freely compete and engage in dialogue with each other.

In a parallel way, the lessons from the fate of the state-based social democratic model call for reversing the order of priorities. The nation-state can no longer provide a sufficient framework for progressivist political action. The socially flavored foreign policy idealism appears as a somewhat anachronistic basis for ‘progressivist internationalism’. Local and national struggles are essentially connected to regional and global struggles and cannot be taken as separate spheres anymore (‘first progressivism at home, and then exportation of these universalist ideals to the rest of the world’). What is required is a globalist strategy of carrying out global social/democratic reforms. Future reforms along these lines can come about as a result of effects of multiple simultaneous processes and contradictions among various on-going tendencies.⁸

So what is the *telos* of democratization? We have come to understand that morality and ethico-political principles must have validity and application apart from the authority of any particular groups or persons or individual identification with any particular groups or institutions – including nations and states. With human learning advancing towards discourse ethics and beyond, there is a further call for a more differentiated dynamic between intra-humanity self and others. Various critical and post-structuralist theories can be seen as correctives not only to Rawlsian but also to discourse-ethical moral reasoning. At the stage of discourse ethics and beyond, people identify themselves critical-reflexively as world citizens (which is already a latent possibility at earlier levels). Thereafter, the *telos* of democratization becomes global and culturally pluralistic social democracy, promoted democratically by world citizens. However, global social democracy too would be no more than a transient phase.

Moreover, its actualization is contingent. Ethico-political progress is a structural possibility built upon earlier layers of material-structural possibilities and learning. Yet, there is nothing inevitable about human progress. Its potentials may *not* be actualized either in the short or long run – or ever. Analogically to the decline of past empires and civilizations, contemporary individuals and institutions may fail to realize the available human potential and fall back, even in terms of their learning potential. To fully understand the implications of our fallibility is part of the process of learning to assume responsibility for the rules, principles and institutions we humans create and for the consequences of our actions. The limits and illusions of our present understanding can best be seen from a future standpoint of an ever wider and more perceptive horizon.

Notes

- 1 The ideas and claims of this paragraph are based on the well-known works of Jean Piaget (2002, 1977), Lawrence Kohlberg (1981, 1973, 1971) and Jürgen Habermas (1990a, 1990b, 1979). For discussions of the empirical validity of the Kohlbergian framework in particular, see Boom *et al.* (2007); Dawson (2002); Gibbs *et al.* (2007); Krebs and Denton (2006); and Sonnert (1994); Patomäki (forthcoming).
- 2 In terms of Held's (1996) historical models of democracy – which are useful for analytical purposes but do not directly correspond to any existing historical formation or tendency – the contemporary neoliberal model is close to liberal and elitist models, but may include elements of the pluralist model. Also the social democratic model involves many liberal values and principles, but is, in addition, also republican and socialist, and often incorporates deliberative and cosmopolitan considerations as well. It should be noted that the argument of my chapter as a whole is cosmopolitan (for a discussion about different conceptions of cosmopolitanism and global democracy, see Held and Patomäki 2006).
- 3 This vacillating and inconsistent use of the criterion for full membership in political community is part of the Lockean heritage. See MacPherson (1964: 248). Eds: see the chapter by Jahn for a detailed discussion.
- 4 This quotation is from p. 54 of the 1999 revised edition. In the 1972 original edition, there was apparently no need to underline that absolute and exclusive right to property and contract is not basic.
- 5 I am of course presupposing the account of ethico-political learning scheme explained in the beginning of the chapter.
- 6 Olof Palme, for example, expressed the idea that in the long run the difference between national and world politics would disappear. In this sense, Palme also advocated 'international democracy' (see Jerneck 1990: 128–9).
- 7 In open systems, there have been several mechanisms and processes at play. For instance, for a detailed discussion of the consequences of the Triffin dilemma, see Patomäki (2008: 133, 136, 187–8); and for the role of the US and British governments in facilitating the re-emergence of global finance, Patomäki (2008: ch. 6).
- 8 Patomäki and Teivainen (2004) is a systematic analysis of the normative justifiability and political viability of different global democracy proposals, synthesising the most viable ones into a strategy. Patomäki (2008) and Patomäki (2010) are attempts to build scenarios about the next forty to fifty years from a more general perspective, focusing on the dialectics between limited-scale future wars and economic crises, and the possible rise of a transformative movement that could respond to the problems and contradictions of the global political economy in terms of collective learning and by building new global institutions.