CONTINGENT DEMOCRATS
Industrialists, Labor, and Democratization in Late-Developing Countries

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DO social forces matter in democratic transition? Most of the recent literature on democratization would argue to the contrary. A surge of new research has focused on the role of elites and leadership, the importance of political institutions, and the consequences of strategic choice for democratic reform.[1] Democracy is variously portrayed in these studies as the crafted product of enlightened elites, the path-dependent yield of sticky institutions, or simply a conjunctural outcome. Although social forces are occasionally given the nod by inquiries into the strength of associational life[2] or the role played by coalitions,[3] this research has been overwhelmed by the flood of state-centric work that has dominated comparative politics for the past decade.[4] As Remmer points out, enthusiasm for bringing the state

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[1]See, for example, Guillermo O'Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986); Guiseppe Di Palma, *To Craft Democracies: An Essay on Democratic Transitions* (Berkeley: University of California Press, 1990); John Higley and Richard Gunther, *Elites and Democratic Consolidation in Latin America and Southern Europe* (Cambridge: Cambridge University Press, 1992); Barbara Geddes, "A Comparative Perspective on the Leninist Legacy in Eastern Europe," *Comparative Political Studies* 28 (July 1995); Arend Lijphart and Carlos H. Waisman, eds., *Institutional Design in New Democracies: Eastern Europe and Latin America* (Boulder, Colo.: Westview, 1996).

[2]See Robert Putnam, *Making Democracy Work* (Princeton: Princeton University Press, 1993); Augustus Richard Norton, *Civil Society in the Middle East* (Leiden: E. J. Brill, 1995).

[3]See Deborah Yashar, *Demanding Democracy: Reform and Reaction in Costa Rica and Guatemala* (Stanford, Calif.: Stanford University Press, 1997); Gregory Luebbert, *Liberalism, Fascism or Social Democracy: Social Classes and the Political Origins of Regimes in Interwar Europe* (New York: Oxford University Press, 1991).

[4]Recent exceptions include Ruth Berins Collier, *The Contradictory Alliance: State, Labor Relations and Regime Change in Mexico*, University of California Research Series, no. 83 (Berkeley: University of California, 1992); Ruth Berins Collier and James Mahoney, *Labor and Democratization; Comparing the First and Third Waves in Europe and Latin America*, Institute of Industrial Relations, Working Paper no. 62 (Berkeley: University of California, May 1995).

back in has pushed society out, largely excluding social forces from comparative analysis.[5]

It was not always so. A long tradition in political science put social forces—and more specifically *social classes*—center stage when explaining democratic outcomes. Both liberals and Marxists writing in the tradition of political economy long pointed to the protagonists of capitalist industrialization as the historical agents of democratization (although there was disagreement over which protagonist played the leading role). Focused primarily on the historical experience of the early industrializing countries of Western Europe, these scholars fell into two schools.

One school, led by Moraze, Hobsbawm, and Moore, identified the capitalist class as the class agent of democracy.[6] Moore summarized this view in his inimitable phrase "no bourgeoisie, no democracy." According to this school, West European democracy was the consequence of capitalists colliding with the absolutist state over the traditional, feudal barriers it posed to capitalist advance. Motivated by this material interest, capitalists mobilized their burgeoning economic power to create parliamentary institutions and impose parliamentary control over the state.[7]

A second school, led by Marshall, Thompson, Bendix, Therborn, and, most recently, Rueschemeyer, Stephens, and Stephens, identified the working class as the class agent of democracy.[8] According to this school, the political achievements of the capitalist class fell far short of democracy. Capitalists, they argued, were primarily interested in establishing liberal forms of rule, not democracy. While capitalists supported the introduction of representative government and the protection of civil liberties, they opposed the extension of political rights to the lower classes—which for these scholars is the mark of true democracy. In-

[5]Karen L. Remmer, "Theoretical Decay and Theoretical Development: The Resurgence of Institutional Analysis," *World Politics* 50 (October 1997), 57. See also Joel Migdal, Atul Kohli, and Vivienne Shue, eds., *State Power and Social Forces: Domination and Transformation in the Third World* (New York: Cambridge University Press, 1994).

[6]Charles Moraze, *The Triumph of the Middle Classes* (Garden City, N.Y.: Anchor Books, 1968); Eric Hobsbawm, *Industry and Empire* (Harmondsworth, England: Penguin, 1969); and Barrington Moore, *Social Orgins of Dictatorship and Democracy* (Boston: Beacon Press, 1966).

[7]James R. Kurth, "Industrial Change and Political Change: A European Perspective," in David Collier, ed., *The New Authoritarianism in Latin American* (Princeton: Princeton University Press, 1979).

[8]T. H. Marshall, *Citizenship and Social Class* (Cambridge: Cambridge University Press, 1950); E. P. Thompson, *The Making of the English Working Class* (New York: Pantheon, 1963); Reinhard Bendix, *Nation Building and Citizenship* (New York: Wiley Press, 1964); Goran Therborn, "The Rule of Capital and the Rise of Democracy," *New Left Review* 103 (1977); and Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).

stead, it was the working class, organizationally empowered by capitalist development and materially motivated by the desire to seek political redress for its economic subordination, that fought for universal suffrage. As such, the working class was the true champion of democratization in Western Europe.[9]

Despite their differences, however, both schools agreed on at least three central verities of democratic transition. (1) Democracy is neither an evolutionary necessity nor a conjunctural outcome; rather it is the product of *struggle* in which social forces play a central role. (2) *Interest*, not enlightenment, drives regime change. And (3) among the panoply of interests that animate people politically, *material* interests trump all others. This analysis suggests that social forces are most likely to champion democracy when their economic interests put them at odds with the authoritarian state.

But if capital and labor played an important role in championing democratic reform in the early industrializing countries of Western Europe (as the classic works of political economy argue),[10] the question is whether these social forces are likely to play a comparable role in the context of late development. A brief survey of late-developing countries shows wide variation in the enthusiasm of capital and labor for the democratic project. Organized labor has been an enthusiastic champion of democratization in some contexts (Korea, Chile, Zambia) but a more diffident partisan elsewhere (Mexico, Tunisia, Egypt). Private sector industrialists have championed democratization in some

[9] Revisionist historians have taken issue with any simple mythology that ascribes the rise of West European democracy to the work of a single, self-conscious social class, whether capitalists or workers; see Alex Callinicos, "Bourgeois Revolutions and Historical Materialism," *International Socialism* 43 (June 1989). Classes were internally divided, individual classes were often forced into coalitions with others to achieve political success, and other factors (institutional, international) also shaped regime change. The best works of political economy recognize the complexity of this process. In fact, a careful reading of Rueschemeyer, Stephens, and Stephens (fn. 8) reveals a nuanced argument along just these lines. See Thomas Ertman, "Democracy and Dictatorship in Interwar Europe Revisited," *World Politics* 50 (April 1998).

But acknowledging the importance of preexisting institutions and the agency of elites does not deny the central role played by social forces in democratic transition. Elites do not operate in a vacuum: their political choices are governed not only by ideals and interests but also by social realities (for example, the economic pressure posed by the threat of capital flight; the political pressure posed by the threat of organized and potentially destabilizing popular protest). And institutions are themselves a creation of the political process, subject to change in the face of political pressure and struggle. Democratization itself is an example of institutional transformation, bought through the struggle of opposing interests that are equipped with different resources and agendas. The question is not so much *whether* social forces play a key role in the struggle for democratization as *which* social forces are likely to take up the cause.

[10] Recent studies have challenged this position. See Collier and Mahoney (fn. 4), who argue persuasively that labor played a much more negligible role in the first wave of democratic transition than that proposed by Therborn and others.

places (Korea by the mid-1980s, Brazil by the late 1980s) but have disdained it in others (Indonesia, Singapore, Syria). Can this variation be explained?

Level of economic development alone cannot account for it. Enthusiasm for democracy among industrialists and labor does not directly correlate with growth in per capita GNP, contra the expectations of old and new versions of modernization theory. In some cases private sector industrialists have proven most enamored of democratic transition precisely in moments of great economic decline (Brazil); in others, they have proven highly suspicious of democratization even in a context of spectacular economic growth (Indonesia, Malaysia). Similarly, some trade union movements have campaigned for democratization at times of great growth (Korea) while others have embraced it in a context of economic catastrophe (Zambia).

Cultural heritage also proves less than decisive. Comparisons drawn intertemporally within country cases as well as between countries with similar cultural endowments reveal dramatic variation in the enthusiasm of labor and industrialists for democracy, even as culture remains constant. Egypt and Tunisia, for example, possess similar cultural heritages (both are majoritarian Sunni Muslim countries, relatively unriven by ethnic cleavage, and saddled with a long history of West European colonialism), yet organized labor exhibits very different attitudes toward democratization in the two countries. Similarly, intertemporal comparison within the cases of Brazil and Korea shows a dramatic increase in industrialists' enthusiasm for democracy over the past fifteen years. Yet one would be hard pressed to argue that this shift was preceded by a revolution in the core cultural endowments of either country.

This article offers an alternative framework for explaining the variation in class support for democratization in the context of late development. Close study of a few core cases, in addition to more cursory examination of several others, helps specify the conditions under which capital and labor are more or less likely to embrace democratization. Although the article subscribes to the central verities of the political economy tradition, it argues that the peculiar conditions of late development often make capital and labor much more ambivalent about democratization than was the case for their counterparts among early industrializers. The theory will specify the conditions that give rise to this diffidence but will also suggest (and empirically anchor) the way these conditions may change to make both social forces more enthusiastic about democratic reform. The general lesson of this examination is

that capital and labor are *contingent* democrats[11] for the very reason that they are *consistent* defenders of their material interests. Like their predecessors, capital and labor in late-developing countries will champion democratic institutions when these institutions are perceived as advancing their material interests. But the pairing of material and democratic interest is contingent upon specific historical circumstances that are not necessarily replicated in the context of late development. Briefly put, capital and labor's enthusiasm for democracy largely turns on two variables. For capital, the two variables are state dependence and fear; for labor, they are state dependence and aristocratic position. Enthusiasm for democracy varies inversely with class score on these two variables. Where that score is split, class attitude toward democratization is indeterminate and other variables come into play.

To support this argument, the article begins with a discussion of the theoretical logic underlying the contingency hypothesis. It proceeds with empirical investigation of two core cases for capital (Indonesia and Korea) and two for labor (Mexico and Korea)—cases chosen for their dramatic variation on the dependent variable. Additional cases (Mexico and Saudi Arabia for capital; Egypt for labor) are added to correct for collinearity that appears in the two independent variables. Finally, a number of other cases (Tunisia, Brazil, and Zambia) are presented to eliminate rival hypothesis.[12]

Limited space prevents absolute parallelism in the cases investigated for capital and labor; it also precludes recounting the experience of capital and labor for every country mentioned (sixteen case studies in all, not counting intertemporal variation). Fortunately, the logic of comparison does not require exhaustive parallelism. Recounting the tale of some omitted cases (for example, Tunisian capital) would be largely redundant (its experience parallels that of Indonesian capital along our key variables) and would add little leverage to our hypothesis. Re-

[11] Guillermo O'Donnell describes the private sector's commitment to democracy as "contingent"; see O'Donnell, "Substantive or Procedural Consensus? Notes on the Latin American Bourgeoisie," in Douglas Chalmers, Maria de Souza, and Akko A. Boron, eds., *The Right and Democracy in Latin America* (New York: Praeger, 1992).

[12] To disprove the hypothesis that cultural heritage determines political disposition toward democracy, Tunisia and Brazil are added to the discussion of labor and capital, respectively. Using Mill's method of difference, comparison is drawn between cases showing overall similarity in cultural endowment (Tunisia and Egypt for labor; Brazil pre- and post-1980s for capital) but possessing a crucial difference in our independent variables, resulting in a crucial difference in outcome. To disprove the hypothesis that economic growth and prosperity determine political disposition toward democracy, Zambia and Brazil are also added to the discussion of labor and capital. Using Mill's method of agreement, comparison is drawn between cases showing overall difference in level of economic growth and prosperity (Zambia and Korea for labor; Brazil and Korea for capital) but sharing crucial similarity in their values on our independent variables, resulting in a striking similarity in outcome.

counting the tale of other omitted cases (for example, Saudi labor) would only confuse our discussion with exceptional conditions (for example, the fact that the vast majority of workers in Saudi Arabia are nonnationals with short-term horizons in the kingdom and little interest in shaping Saudi political institutions).

Careful case selection cannot eliminate all the methodological problems involved in drawing scientific inference here. The investigation of ten cases does not eliminate the problem of indeterminacy when four independent variables are proposed. Furthermore, case selection on the dependent variable introduces the possibility of biased results. As King, Keohane, and Verba observe, only *random* selection of *many multiple* cases can truly verify theory.[13] Nevertheless, the evidence presented seems sufficient to suggest the plausibility, if not the incontrovertibility, of the contingency hypothesis.

THE THEORY

State dependence, fear, and aristocratic position shape capital and labor's disposition toward democratization. Each of these variables merits elaboration. With regard to capital, state dependence refers to the degree to which private sector profitability is subject to the discretionary support of the state. Such support is typically delivered in the form of subsidized inputs, protected market position, close collaboration in the definition of economic policy, and state containment of labor and the capital poor. Two quite different state logics may fuel such support. Where the state is developmental (for example, Japan and Korea), it identifies national prosperity with that of the private sector and explicitly sponsors the development of the latter with the aim of achieving rapid economic growth.[14] By contrast, where the state is patrimonial (for example, Indonesia and Senegal), it also identifies prosperity with that of the private sector, but here the state's governing objective is not the achievement of rapid economic growth for the nation as a whole so much as personal gain for state elites.

But whatever the governing logic of the state, sponsorship makes the private sector diffident about democratization because capitalists recognize that their profitability hinges on state discretion. Therefore, in

[13] Gary King, Robert Keohane, and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton: Princeton University Press, 1994), 115–49.

[14] The term "developmental state" was coined by Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, Calif.: Stanford University Press, 1982).

both developmental and patrimonial cases, cozy collaboration with state elites, not public contestation and opposition, is the key to economic success. Where state elites are hostile to the project of democratic reform (and few authoritarian rulers relish the thought of relinquishing unaccountable power), private sector entrepreneurs are careful to keep their distance from it.

Private sector capital is also likely to be wary of democratization for reasons that *do* vary with the character of the state. Where developmental logic rules, relations between the private sector and the state are typically positive and collaborative. So long as the state generally anticipates the interests of private sector capital, capital does not feel compelled to create formal democratic institutions to ensure state accountability. Where patrimonial logic rules, however, private sector profitability typically resides in shady relations with state elites. Under these conditions, transparency, one of the standard selling points of democracy, is likely to prove less attractive to entrepreneurs. In this way, "collaborative profitability" whether governed by patrimonial or developmental logic discourages enthusiasm for democratization among private sector capitalists.

Beyond the logic of collaborative profitability, the second variable that hinders private sector enthusiasm for democracy is fear. Private sector capital everywhere is concerned, first and foremost, with protecting property rights and securing the long-term profitability of its investments through the guarantee of order.[15] But where poverty is widespread and the poor are potentially well mobilized (whether by communists in postwar Korea or by Islamists in contemporary Egypt), the mass inclusion and empowerment associated with democratization threatens to undermine the basic interests of many capitalists. At best, such inclusion threatens to flood politics with "the logic of distribution" rather than the "logic of accumulation."[16] At worst, it potentially confers upon the propertyless the means to overturn the social order. Thus, for many capitalists, democratization is associated with a deep sense of social threat and is regarded with distrust.

Why should state dependence and fear prove to be more significant barriers to democratic commitment among late-developing capitalists than among their predecessors?

[15] See Leigh Payne, *Brazilian Industrialists and Democratic Change* (Baltimore: Johns Hopkins University Press, 1994).

[16] See Thomas Callaghy, "Civil Society, Democracy and Economic Change in Africa: A Dissenting Opinion about Resurgent Societies," in John Harbeson, Donald Rothchild, and Naomi Chazan, eds., *Civil Society and the State in Africa* (Boulder, Colo.: Lynne Rienner, 1994), 243.

First, as Alexander Gerschenkron made clear,[17] late development heightens the dependence of capitalists on the state. Embarking on the process of industrialization in a world already industrialized, commercially integrated, and highly competitive means that private sector capitalists typically seek state help with capital accumulation (since the start-up capital for late industrializers often exceeds the capabilities of individual, first-generation entrepreneurs) and with trade protection (in the form of tariff barriers, import quotas, and so on). Such heightened state dependence makes private sector capitalists all the more wary of embracing political projects unpopular with state elites. By contrast, lower start-up costs and a less integrated international economy made the success of early industrializers significantly less contingent on state support, endowing capitalists with much greater political latitude.

Second, the developmental mission that guides state sponsorship in many late-developing countries also encourages private sector capitalists to cleave to the state and eschew the cause of democracy. Where the state is developmental, private sector capital can expect it to anticipate their interests to a large degree. This contrasts sharply with conditions faced by early industrializers whose feudal state was perceived to be hostile to capital. It was precisely this hostility that fueled capital's democratic conversion during the first transition. But in late-developing countries where the authoritarian state is often seen to be serving the interests of private sector capital, why embrace democracy?

Finally, one might wonder why capital would be more fearful of democracy today than during the first transition. Poverty after all was no less pervasive in eighteenth- or nineteenth-century England than it is today in many late-developing countries, and so the empowerment of the poor should have posed a comparable threat to capital's interests and made early capitalists equally leery of democracy. The difference, however, lies not in the relative number of poor people in society across time but rather in the degree of mass empowerment proposed by the democratic project in each era. During the first transition the hegemonic discourse on democracy had a distinctly liberal cast rather than an inclusionary one. Hence, capital's embrace of democracy was understood to be entirely consistent with exclusion of the propertyless. Since then, however, democracy has come to stand for mass inclusion, making it difficult for contemporary democratic discourse to justify exclusion based on property, race, or gender. The evolution in ideas, then,

[17] Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962).

goes far toward explaining capital's divergent enthusiasm for democracy across time. With democratization spelling mass empowerment today, many capitalists in late-developing countries are more diffident about embracing this political project.

What about organized labor? Labor's enthusiasm for democracy turns largely on two variables: state dependence and aristocratic position. State dependence refers to the degree to which organized labor depends on state support for its organizational viability, vitality, and clout. Labor everywhere, with its reliance on *collective* action to establish influence, is much more dependent upon the state than is private sector capital.[18] But beyond this run-of-the-mill dependence, labor's reliance on the state can be deepened by the state's adoption of a corporatist strategy that provides unions with financial and organizational support in exchange for political loyalty and self-restraint. This arrangement provides labor with material benefits far in excess of what its true market power can deliver—but at the price of its autonomy.

Labor's dependence upon the state gives rise to diffidence about democratization for reasons similar to those that operate in the case of capital. Labor comes to fear biting the hand that feeds it, that is, jeopardizing the flow of state benefits by embracing political projects that are certain to evoke the wrath of state elites. To the contrary, organized, state-dependent labor believes its interests are better served by maintaining collaborative, not contestatory, relations with the state.

The second variable modulating labor's enthusiasm for democracy is aristocratic position—the degree to which organized labor is economically privileged vis-à-vis the general population. Where organized labor enjoys such a privileged stance, it is likely to exhibit a degree of "dissolidarity" with the unorganized masses in the informal sector and/or agriculture. Under such conditions, and especially where labor's aristocratic position is a consequence of political intervention rather than a reflection of true market power, labor will perceive its interests to be better served by maintaining a cozy relationship with the state (even if the institutional arrangements are authoritarian), rather than by championing institutions that make the state accountable to mass interests (that is, democracy).

Again, conditions of late development heighten the probability that labor will be state dependent and/or aristocratic and hence more diffident about the democratic project. Late development typically spells structural weakness for labor because it is accompanied by industrial-

[18] Claus Offe and Helmut Wiesenthal, "Two Logics of Collective Action," in *Political Power and Social Theory* (Greenwich, Conn.: JAI Press, 1980).

ization in a context of global capital mobility. This situation universalizes the "reserve army" of labor and undermines the bargaining power of workers. Late timing also means the importation of industrial technology that tends to be capital intensive rather than labor intensive, and this exacerbates the problem of labor surplus and further weakens labor's market position. Such weakness encourages labor to look to the state for political remedies, fostering union dependence and nurturing diffidence about contestatory politics. At the same time, the problems of labor surplus and mass poverty mean that the minority of workers who are organized in the formal sector are likely to be privileged vis-à-vis the majority, an economic privilege jealously guarded by organized labor. The result is that the interests of the unions are quite distinct from those of the unorganized poor, and this discourages the unions from fighting for state accountability to mass preferences.

Of course none of this is cast in stone. Economic growth may absorb labor surplus and diminish labor's structural weakness and dependence upon the state. Economic growth and/or welfarist public policy may reduce mass poverty and diminish capital's sense of social threat. Fiscal crisis or political exigencies internal to the authoritarian state may lead it to reduce its sponsorship of private sector capital, leading capital to reconsider the advantage of coziness over formalized accountability as the surest route to profitability. Under such conditions capital and labor may reconsider the advantages offered by democratic reform. For labor, democracy holds out the promise of civil liberties such as freedom of speech and association—the bedrock of collective action and collective power. For capital, democracy holds out the promise of institutionalized accountability and transparency—the means to more predictable influence over policy for the well organized and the well heeled. Thus, after weighing the costs and benefits, capital and labor may be converted to the democratic cause. But their commitment is always refracted through the prism of interest and can be predicted only on the basis of a clear understanding of this interest and the variables that shape it.

The power of our variables to explain class commitment to democracy will be explored in depth in two core cases each for capital and labor, with more cursory corroboration drawn from six other country cases. Capital's dependence on the state will be measured in terms of dependence on subsidized inputs, protected markets, and cronyistic relations with state elites. Capital's sense of fear or threat will be measured in terms of the pervasiveness of poverty, the organizational

strength of the capital poor (for example, membership levels in the Communist Party), and past incidence of popular violence. Labor's dependence on the state will be measured in terms of union dependence on state subsidies and union members' access to state-subsidized benefits (for example, credit and housing), as well as the politically manipulated (inflated) setting of wage levels. Labor's aristocratic position will be measured in terms of differentials found between the organized and unorganized in matters of wage levels, access to stable employment, social security, and other nonwage benefits such as legally mandated job security. While these variables are not exhaustive, they anticipate a great deal of the variation found in class commitment to democracy, both among cases and even more powerfully *within* cases across time. A schematic summary of the argument and positioning of the cases is presented in Figures 1 and 2.

Fear	State Dependence: High	State Dependence: Low
High	**Antidemocracy** Indonesia	**Leaning Democratic** Mexico (by the 1970s)
Low	**Ambivalent** Saudi Arabia	**Prodemocracy** Korea (by mid-1980s) Brazil (by the 1980s)

FIGURE 1
PRIVATE SECTOR CAPITAL: CHAMPION OF DEMOCRACY?

Aristocratic Position	State Dependence: High	State Dependence: Low
High	**Antidemocracy** Mexico (CTM) Tunisia	**Leaning Democratic** Null
Low	**Ambivalent** Egypt	**Prodemocracy** Korea Zambia

FIGURE 2
ORGANIZED LABOR: CHAMPION OF DEMOCRACY?

INDONESIA: PATRIMONIAL CAPITALISM, FEAR, AND DEMOCRATICALLY DIFFIDENT CAPITALISTS[19]

Until relatively recently Indonesia was celebrated for its success as one of Southeast Asia's most rapidly growing "tigers." But like many other successful Asian countries, Indonesia put the lie to any assumption that economic growth necessarily spells enthusiasm for democracy among the social classes that are its primary beneficiaries.[20] Specifically, private sector capitalists in Indonesia have proved consistently reluctant to embrace projects to democratize the country. To explain the business community's alliance with authoritarianism, we must explore the historic character of the state's relationship with the private sector and the prevalence of social fear within the business community.

From independence onward the Indonesian state consistently championed the development of private sector capital, especially the development of an *indigenous* (that is, Malay) capitalist class. To this end, the state gave indigenous entrepreneurs preferential access to essential business benefits such as government contracts, licenses, bank credit, and trade protection. It put into effect an "entrepreneurial affirmative action program" designed to boost the number of indigenous entrepreneurs (*pribumi*) by legislative fiat. And it embraced the practice of "bureaucratic capitalism," which permitted public officials to become entrepreneurs even while in office.[21]

State sponsorship of private sector development was patrimonial in nature. Public officials distributed government support to private firms with an eye to securing personal profit and a political clientele. Officials doubling as entrepreneurs used their control over the allocation of licenses, concessions, and credit to promote their own companies—blurring the boundary between the public and private sectors. Nevertheless, the private sector flourished and grew dramatically over the first four decades of Indonesian independence.

[19] This analysis draws extensively on Richard Robison, *Power and Economy in Suharto's Indonesia* (Manilla, Philippines: Journal of Contemporary Asia Publishers, 1990); Kevin Hewison et al., eds., *Southeast Asia in the 1990s: Authoritarianism, Democracy, and Capitalism* (St. Leonards, Australia: Allen and Unwin, 1993); Richard Robison, *Indonesia: The Rise of Capital* (Sydney: Allen and Unwin, 1986); and Andrew MacIntyre, *Business and Politics in Indonesia* (Sydney: Allen and Unwin, 1991).

[20] See Jacques Bertrand, "Growth and Democracy in Southeast Asia," *Comparative Politics* 30 (April 1998); David Martin Jones, "Democratization, Civil Society, and Illiberal Middle Class Culture in Pacific Asia," *Comparative Politics* 30 (January 1998).

[21] Robison (fn. 19, 1986), 167; Hewison et al. (fn. 19), 46.

The character of state sponsorship explains much of the private sector's diffidence about democratization. The fact that licenses, contracts, and credit were distributed on a discretionary basis, with access governed by political logic (or official gain), rather than by publicly formulated, economically rational criteria, meant that entrepreneurs were wise to nurture cozy relations with state elites. The fact that much of the business collaboration between state elites and private sector actors was quite shady in nature, if not outrightly corrupt, made political transparency (a good associated with democracy) less attractive. The fact that many officials doubled as entrepreneurs reassured the business community that state elites would anticipate private sector interests when formulating public policy, obviating the need for more formal mechanisms of accountability. Private sector capitalists thus had reason to be diffident about championing democratization. So long as the state continued to deliver economic prosperity, private sector capital had little incentive to push for political reform.

But if dependence on state support fostered private sector diffidence about democratization, then so did fear, which for the business community in Indonesia had three underlying components. First, there was the problem of widespread poverty and the fact that mass empowerment had historically been associated with threats to the social order. During the late 1950s and early 1960s more than 60 percent of Indonesians lived below the poverty line.[22] Pervasive poverty helped fuel the popularity of a strong Communist Party, with a membership approaching three million by the mid-1960s;[23] by 1965 the party had been implicated in a regime-threatening coup. The sense of revolutionary danger that pervaded Indonesia at the time turned the propertied classes against democratic experiments and pushed them into the arms of authoritarian stability. This was a historic legacy that lingered.

But even after the Communist Party had been decimated by the military in 1965 and rapid economic growth had reduced mass poverty in the 1970s and 1980s, the business community still had reason to fear mass empowerment. From the early 1980s onward the regime's development strategy turned on the exploitation of a docile labor force—which required containment of the masses, not their empowerment.

[22] Hal Hill, ed., *Indonesia's New Order* (Honolulu: University of Hawaii Press, 1994), 57; World Bank, *World Bank Development Report* (New York: Oxford University Press, 1990), 41–43.

[23] The party also organized upwards of sixteen million citizens in its mass organizations of peasants, trade unionists, women, and youth, and in the 1955 national elections it won 16.4 percent of the popular vote, making it one of the big four parties in Indonesia. Brian May, *The Indonesian Tragedy* (Boston: Routledge, 1978), 113.

The growing labor unrest of the 1980s and 1990s only reinforced capital's belief that a repressive state apparatus was essential to economic success.[24]

Finally, the business community's fear of mass empowerment had a third component, namely, ethnic conflict and the tendency for class warfare to take on ethnic coloration in Indonesia. Because the vast majority of domestic capitalists hail from the Chinese minority (while most Indonesians are Muslim Malay), class discontent over inequity and exploitation is frequently channeled along ethnic/religious lines, with protest expressed in the language of Islamic populism and riots directed against the Chinese community as a whole.[25] Violence against the Chinese community has been a recurrent problem, growing in intensity since the 1950s and culminating most recently in the May 1998 "orgy of looting, plundering, and fire-raising" aimed at Chinese businesses.[26] As a result, the Chinese suffer from a sense of social vulnerability that has long led many Chinese capitalists to prize stability over freedom and a strong authoritarian state over popular empowerment.

For these reasons then, private sector capital in Indonesia has historically proven unenthusiastic about democratization. The private sector's dependence upon the state for its profitability, as well as its fear of mass empowerment have long allied it with the authoritarian order.[27] Nor have recent events prodded the political conversion of the private sector. Catastrophic economic crisis in 1997–98 fueled regime change in Indonesia and a tentative transition toward democracy. But it also quadrupled mass poverty (eighty million now live below the poverty line) and sparked violent interthnic strife.[28] Both have fanned the business community's traditional fears about mass empowerment and this, together with concerns about the new regime's (IMF-supported) attacks on business-state cronyism, have left business leaders skeptical about, if not actually hostile to, Indonesia's fragile new regime.[29]

[24] R. William Liddle and Rizal Mallarageng, "Indonesia in 1996," *Asian Survey* 37 (February 1997).

[25] Hewison et al. (fn. 19), 58–60; Robison (fn. 19, 1986), 274–76, 315–20; MacIntyre (fn. 19), 3.

[26] *Country Report, Indonesia, Economist* Intelligence Unit (2d quarter, 1998), 19. For accounts of earlier anti-Chinese violence, see "Anti-Chinese Outbreaks in Indonesia, 1959–68," in J. A. C. Mackie, *The Chinese in Indonesia* (Sydney: Australia Institute of International Affairs, 1976).

[27] Robison (fn. 9, 1986), 150–52; Jacques Bertrand, "Business as Usual in Suharto's Indonesia," *Asian Survey* 37 (May 1997), 443.

[28] Adam Schwartz and Jonathan Paris, eds., *The Politics of Post-Suharto Indonesia* (New York: Council on Foreign Relations, 1999), 2–9.

[29] *Country Report, Indonesia, Economist* Intelligence Unit (3d quarter, 1998), 13.

South Korea: Variation Proves the Rule[30]

The South Korean case, like that of Indonesia, confirms the importance of state dependence and fear for shaping the political disposition of private sector capital in the context of late development. But ultimately, the Korean case provides more compelling evidence of this relationship thanks to its internal variation. During the first few decades of the postwar era, the high level of state dependence and the prevalence of fear within the Korean business community spelled private sector diffidence toward democratization. From the mid-1980s, however, political and economic developments in the international and domestic arenas signaled important changes in the character of state sponsorship, the extent of state dependence, and the prevalence of social fear in the business community. Coincident with these changes, private sector capitalists began to exhibit significant enthusiasm for political reform and democratization. This variation over time provides compelling confirmation of the role played by our two variables in shaping the political inclinations of private sector capital. It also testifies to the intrinsically contingent nature of the political leanings of private sector capital.

For the sake of conciseness and because the logic of this period largely replicates that of the Indonesian case, the analysis of South Korean capital's first four postwar decades is given in brief. At this time the character of state sponsorship played a key role in fostering private sector diffidence about democratization. During the patrimonial rule of Syngman Rhee both the genesis and the success of private sector firms turned on political mediation and access to the state's discretionary favor. Cronyism governed the start of many private sector firms.[31] And preferential access to government-controlled resources (including tax breaks, trade monopolies, foreign-aid disbursement, and low-interest loans) governed private sector growth.[32] Neither nurtured a culture of political contestation or kindled a desire for transparency among

[30] This analysis draws extensively on Carter Eckert, "The South Korean Bourgeoisie: A Class in Search of Hegemony," *Journal of Korean Studies* 7 (Fall 1990); idem, *Korea Old and New* (Cambridge: Ilchokak, Korea Institute, Harvard University, 1990); Hagen Koo, *State and Society in Contemporary Korea* (Ithaca, N.Y.: Cornell University Press, 1993); Karl Fields, *Enterprise and the State in Korea and Taiwan* (Ithaca, N.Y.: Cornell University Press, 1995); Nora Hamilton and Eun Mee Kim, "Economic and Political Liberalisation in South Korea and Mexico," *Third World Quarterly* 14, no. 1 (1993); George Ogle, *South Korea: Dissent within the Economic Miracle* (London: Zed Press, 1990).

[31] Eckert (fn. 30, 1990), 40; Ogle (fn. 30), 42.

[32] Fields (fn. 30), 31–40; Minho Kuk, "The Governmental Role in the Making of Chaebol," *Asian Perspective* 12, no. 1 (1988), 110–17.

Korea's business elites. Later, under Park Chung Hee the state adopted a more developmental ethos, but this did not reduce the private sector's dependence. The state retained discretionary control over the distribution of resources, such as credit and foreign currency, that were critical to the private sector, and this continued to nurture a culture of compliance within the business community, as well as a lack of interest in political campaigns that might jeopardize the flow of state benefits.[33]

The state's conversion to a developmental ethos fostered private sector diffidence about democratization in a second way as well. By prioritizing economic development and identifying public welfare with private sector growth, the state proved extremely attentive to capital's interests. Business leaders thus felt little need to push for more formal mechanisms of accountability.

But the private sector's lack of interest in democracy at this time was also fueled by fear, specifically fear of the revolutionary potential of mass empowerment. Korea emerged from the Korean War an impoverished country (an estimated ten million were without homes, adequate food, or medical care),[34] and its poor had historically found revolutionary inspiration (and organizational wherewithal) in a popular and activist Communist Party. Although actual membership in the Korean Communist Party remained small (at between forty and sixty thousand members), the party's extraordinary capacity to organize citizens in a network of youth, labor, and peasant organizations meant it could mobilize hundreds of thousands, if not millions, for communist purposes.[35] Enfranchising the poor thus had the potential to threaten the capitalist social order. The victory of communism in North Korea and the continuing state of war between North and South only heightened the sense of danger felt by capital interests. Private sector capitalists were also disinclined to embrace mass empowerment because of its potential to undermine Korea's development strategy. Like Indonesia in the 1980s and 1990s, Korea in the 1950s and 1960s embraced a strategy of export-oriented industrialization whose success turned on the repression and exclusion of labor. Democratization, which potentially might empower labor, loomed as an unwelcome prospect for Korean capitalists.

[33] State monopoly of the banking system (1961–80) and state supervision of access to foreign loans and grants endowed it with substantial financial power; Fields (fn. 30), 95–96, 121.

[34] Parvez Hasan, *Korea* (Baltimore: Johns Hopkins University Press, 1976), 26. In 1953 Korea was one of the poorest countries in the world with a GNP per capita of $67 (in 1996 dollars); Byong-Nak Song, *The Rise of the Korean Economy* (Hong Kong and New York: Oxford University Press, 1994), 60.

[35] Robert Scalapino and Chong-sik Lee, *Communism in Korea*, vol. 1 (Berkeley: University of California Press, 1972), 268.

For the better part of the postwar era, then, Korean capitalists closed ranks behind the authoritarian state. By the mid 1980s, however, the political attitudes of capital had shifted, moving away from a culture of passivity and consent and toward frank embrace of political contestation and democratization. The first glimmers of this shift came in 1986–87, when the leading business confederation (the Federation of Korean Industries) advanced a new political agenda, boldly independent of the ruling party.[36] More dramatic evidence came in 1991, when Chung Ju Yung, the founder and chair of the Hyundai group, one of Korea's largest chaebol, established a new political party designed to challenge the ruling DJP. The party managed to win 17 percent of the popular vote in the general elections of 1992, and later that year Chung even made a bid for the presidency.[37] Such assertiveness marked an important departure for capital.

Much of this new political orientation away from complicity in authoritarian rule and toward embrace of democratic contestation and pluralism is explained by the reduction in the private sector's dependence upon, and receipt of, state support, in addition to a general decline in social fear. During the 1980s and 1990s two factors led the Korean state to reduce its sponsorship of private sector industry. First, the worldwide recession engendered by the oil crisis of 1979 created serious difficulties for Korea's highly indebted, trade-dependent economy. The Chun regime was forced to adopt a wide-ranging program of structural reform that decreased state support for the private sector. Credit supplies were reduced, policy loans were eliminated, protection of the domestic market was decreased, and a new trade law ended the long-standing monopoly positions enjoyed by many chaebol in the domestic market.[38] The regime's commitment to economic reform eliminated many of the rents that had long sustained domestic capital in Korea and marked a novel disjuncture in the interests of state and capital.

Second, the country's shift to competitive electoral politics in 1987 created a new political imperative for the regime to woo popular support through political and social reform.[39] As part of its campaign to

[36] Eckert (fn. 30, 1990).

[37] Koo (fn. 30), 47; Fields (fn. 30), 60.

[38] Stephan Haggard and Chung-in Moon, "The State, Politics, and Economic Development in Postwar South Korea," in Koo (fn. 30).

[39] Eckert (fn. 30, 1990), 377–79. The regime's decision to introduce competitive elections came in response to widespread popular demonstrations for democracy in 1986–87. The pending summer Olympic games, scheduled to be held in Korea in 1988, also subjected the regime to greater international scrutiny and heightened the effectiveness of popular protest. The business community was not at the vanguard of this popular movement. See Hamilton and Kim (fn. 30), 119–20.

build a popular base, the regime sought to distance itself from big business by attacking the chaebol for corruption and reining in many of their long-standing privileges. The state imposed stricter controls on bank credits and raised inheritance taxes, policies that infuriated the business commuity.[40] In short, structural adjustment and political opening meant that the state would no longer be so reflexively solicitous of business interests. To the contrary, the state directly trampled on business interests, leading many domestic capitalists to view it with increasing distrust. This encouraged business leaders like Chung of Hyundai to look for new ways to make the state more responsive to their interests.

Alongside the reality of declining state support, the private sector's declining *need* for that support also made it more receptive to democratization. During the first postwar decades Korea's late industrialization had spelled private sector dependence upon the state for capital accumulation, entrepreneurial direction, and protection of the local market. But by the mid-1980s many of the grounds for private sector dependence had been eliminated. Korean industry was competitive enough so that state protection from foreign rivals was no longer essential. Korean capital had developed a deep store of entrepreneurial experience, rendering state direction increasingly superfluous.[41] And many of the chaebol were sufficiently large to provide on an in-house basis many of the financial services that the state had previousl supplied.[42] This, together with the liberalization of the banking sector in 1980, the creation of nonstate financial institutions, and the internationalization of financial markets, meant that the business community had access to independent sources of corporate financing beyond the states's control.[43] By the late 1980s the private sector had overcome many of the dependencies associated with latecomer status, and this decreased dependency created new opportunities for capital to break ranks with the regime and embrace political reform.

Finally, a general decline in fear of mass empowerment made business more sympathetic to democratization. By the late 1980s expanding prosperity had decreased the sense that capital and labor were locked in a zero-sum conflict.[44] Although income inequality remained signifi-

[40] Koo (fn. 30), 48.
[41] See Hamilton and Kim (fn. 30), 116; Koo (fn. 30), 47.
[42] Hamilton and Kim (fn. 30), 118.
[43] Koo (fn. 30), 88.
[44] Tat Yan Kong, "Origins of Economic Liberalization and Democratization in South Korea," in Gerd Nonneman, ed., *Political and Economic Liberalization* (Boulder, Colo.: Lynne Rienner, 1996), 241.

cant,[45] absolute poverty had largely been eliminated, with less than 10 percent of the population living below the poverty line.[46] Demands for material improvement no longer aroused fears of upheaval. In addition, the global decline of communism reduced the revolutionary implications of popular empowerment, such that domestic mass movements with social welfare agendas were no longer perceived as the foot soldiers of an international revolutionary project. Consequently, capital could be persuaded that mass exclusion was no longer essential to preserving the social order.

Nevertheless, one should not exaggerate the extent of capital's conversion to democracy. Its commitment remains contingent on democracy's consistency with its economic interests. And some of these interests (for example, fear of higher wages and lowered profitability of exports) still incline capital toward political repression, especially the containment of labor. But thus far, at least, an overall calculation of interest has not induced capital to abandon support for democracy.

Corroboration from Brazil, Mexico, and Saudi Arabia

The conclusions suggested by the Korean and Indonesian cases for the logic governing capital's contingent commitment to democracy are corroborated by other cases. The Brazilian case, for example, replicates both the intertemporal variation found in Korea, as well as its etiology.[47] Brazil's private sector was closely allied with the country's embrace of authoritarianism in 1964, but by the late 1980s much of the private sector had come to endorse democratization. The reasoning behind this change of heart echoes that of the Korean case.

During the 1960s the private sector was gripped by fear of revolutionary insurgence. Widespread poverty, a radical left eager to mobilize the economically disadvantaged, and a cold war context gave substance to the threat of insurgence. In addition, the private sector, highly dependent on the state for subsidies, contracts, credit, and technology, sought to empower a state that would be responsive to its interests and committed to its growth. Both factors motivated capital to support an

[45] Hagen Koo, "The Political Economy of Income Distribution in South Korea," *World Development* 12, no. 10 (1984), 1030–31. Already by 1978 absolute poverty had declined to 12 percent, down from 41 percent in 1965.

[46] Andrea Savada and William Shaw, eds., *South Korea: A Country Study* (Washington, D.C.: Library of Congress, 1992), 177.

[47] This analysis draws extensively on Payne (fn. 15); Fernando Cardoso, "Entrepreneurs and the Transition Process: The Brazilian Case," in Guillermo O'Donnell et al., *Transitions from Authoritarianism* (Baltimore: Johns Hopkins University Press, 1986); Leigh Payne and Ernest Bartell, eds., *Business and Democracy in Latin America* (Pittsburgh, Pa.: University of Pittsburgh Press, 1995); and O'Donnell (fn. 11).

authoritarian regime that promised containment of the left and sponsorship of the private sector.[48] By the late 1980s, however, changing conditions had led the private sector to reevaluate its support for authoritarianism. Fear of revolutionary insurgence had dissipated in light of the change in international conditions (the demise of the Soviet Union, the end of the cold war) and the deradicalization of the left after two decades of repression. In addition, the authoritarian regime had proven less than fully responsive to capital's interests, privileging public enterprises over private and expanding the state's regulation of the economy at the expense of private sector interests.[49] Thus, both declining fear and declining state support persuaded the private sector to abandon the authoritarian regime and support democratic transition. In this way Brazil's private sector constitutes an archetypical case of contingent democrats. Like their Korean counterparts, they shifted toward an embrace of democracy on the basis of a "utilitarian calculus" of their material interests.[50]

Note that the Brazilian case also helps eliminate rival hypotheses to our theory of democratic contingency. As in Korea, intertemporal comparison within the Brazilian case shows significant variation in private sector enthusiasm for democracy, despite constancy in the country's core cultural endowment. This suggests that cultural heritage alone cannot account for variation in class enthusiasm for democracy. Further, comparison of the Brazilian case with the Korean case reveals significant similarity in private sector enthusiasm for democracy, despite variation in economic context. (Brazil faced economic crisis at the moment of private sector enthusiasm for democracy, whereas Korea was experiencing rapid economic growth.) This suggests that level of economic prosperity alone cannot anticipate variation in class enthusiasm for democracy.

All the cases presented thus far manifest a degree of collinearity between our two independent variables. It is possible, however, to find cases where the two variables do not covary. Where this is true, preliminary evidence suggests that, for capital, state dependence may be a more powerful inhibitor of enthusiasm for democracy. The cases of Mexico and Saudi Arabia support this impression.

Mexico provides a case of *declining* state dependence but *persistently high* social fear for capital. Under these conditions private sector capital

[48] The Goulart regime that existed prior to the 1964 coup was perceived to be unpredictable, incompetent, and inattentive to private sector interests. See Payne (fn. 15), 13

[49] Cardoso (fn. 47), 143.

[50] O'Donnell (fn. 11).

has been persuaded to embrace democratization.[51] The private sector was long the dependent stepchild of the Mexican revolution. Excluded from any public role in politics but generously nurtured by the state's "alliance for profits," the private sector long acquiesced in the regime's authoritarianism. Beyond dependence on state support, the private sector's alliance with authoritarianism was further fueled by fear. Although the threat of a radical left had largely been shut out by the ruling revolutionary party, the mass poverty and income inequality found in Mexican society were grounds for concern among the propertied classes and reason to support an exclusionary, even repressive, state apparatus.

By the late 1970s and early 1980s, however, the rationale for capital's alliance with the authoritarian regime began to unravel. Not that the sources of private sector fear—massive poverty or income inequality—had decreased. If anything these scourges worsened as currency problems and fiscal deficits plunged Mexico into severe economic crisis during the 1980s.[52] Rather, it was the private sector's economic dependence on the state (and its confidence in state sponsorship) that began to decline. At this time there emerged a new group of private sector entrepreneurs who were export oriented and less dependent on state support and protected markets for their prosperity. They resented the state's corrupt intervention in the economy and were vexed by many of its policy decisions, notably the nationalization of banks during the currency crisis of 1982. As private sector entrepreneurs began to question the state's "alliance for profits," an important segment of them also "discovered democracy."[53] They began to push for the democratization of Mexico's political system and spearheaded political pluralization by bankrolling the political party PAN. In the Mexican case decreased state dependence but invariable social threat spelled private sector support for democratization.

In Saudi Arabia, by contrast, state dependence has remained *persistently high* but social threat has *declined.* In this context the private sector has remained largely ambivalent about democratization. The dependence of the private sector on the Saudi state is legendary. Indus-

[51] This analysis draws extensively on Susan Kaufman Purcell, "Business-Government Relations in Mexico: The Case of the Sugar Industry," *Comparative Politics* 13 (January 1981); Roderic Camp, *Entrepreneurs and Politics in Twentieth-Century Mexico* (Oxford: Oxford University Press, 1989); Sylvia Maxfield and Ricard Anzaldua, eds., *Government and Private Sector in Contemporary Mexico* (San Diego: Center for U.S.-Mexican Studies, University of California at San Diego, 1987).

[52] See Sebastian Edwards, *Crisis and Reform in Latin America: From Despair to Hope* (New York: Oxford University Press, 1995); Kevin Middlebrook, ed., *Union, Workers, and the State in Mexico* (San Diego: University of California at San Diego Press, 1991).

[53] The phrase is borrowed from Cardoso (fn. 47).

trial ventures are highly protected and subsidized by the government. Many manufacturing firms register *negative* value added but survive nonetheless thanks to state guarantees of preset profit margins for private sector ventures.[54] The state's "allocative logic"[55] sustains these firms just as it has eliminated a major source of social fear in the Saudi kingdom. Since the mid-1970s the state has funded massive social welfare projects in the country, investing billions of dollars in health, education, housing, and social safety nets to eliminate the problem of mass poverty. Despite this declining social threat, however, the private sector has not judged it advantageous to champion democratization.[56] Although leaders of the business community have expressed an interest in strengthening the rule of law in the kingdom, their political ambitions have fallen far short of democratization. Thus, even as businessmen have circulated petitions calling for due process and a strengthened judicial system, they have continued to declare their fidelity to the Saudi royal family, as well as to the monarchical system of government. Clearly, business elites do not wish to jeopardize their access to state largesse, and this has muted any impulse to push for extensive democratic reform.[57]

As the cases presented thus far demonstrate, private sector capital has shown wide variation in its support for democracy, both across cases and within cases across time. Two variables—degree of state dependence and level of social fear—explain a good deal of this variation. Overall, the empirical evidence suggests an inverse relationship between variables and outcome. That is, as the levels of state dependence and social fear decline, the likelihood that the private sector will embrace democracy increases. Where the score on these two variables is

[54] See Hazem Beblawi and Giacomo Luciani, *The Rentier State* (New York: Croom Helm, 1987). The dependence of private sector entrepreneurs in nonindustrial ventures (e.g., commerce, real estate, construction) is even more legendary. For a colorful account, see Michael Field, *The Merchants: The Big Business Families of Saudi Arabia and the Gulf States* (New York: Overlook Press, 1984).

[55] Giacomo Luciani, "Allocation vs. Production States: A Theoretical Framework," in Luciani, ed., *The Arab State* (Berkeley: University of California Press, 1991).

[56] See Helen Chapin Metz, ed., *Saudi Arabia: A Country Study* (Washington D.C.: U.S. Department of State, 1993). Of course, the elimination of mass poverty has not eliminated all sources of social threat in Saudi Arabia. Expatriate workers (largely excluded from the state's social welfare benefits), the Shiite minority (which suffers second-class citizenship), and Islamist activists all constitute potential sources of insurrection. Neither of the latter two groups, however, constitutes a popular majority who might use mass empowerment to overturn the status quo. Expatriate workers are not citizens and so would not be empowered by democratization. See R. Hrair Dekmejian, "The Rise of Political Islamism in Saudi Arabia," *Middle East Journal* 48 (Autumn 1994); Mahdawi al-Rasheed, "Saudi Arabia's Islamic Opposition," *Current History* 95 (January 1996), 16–22; Peter Wilson and Douglas Graham, *Saudi Arabia: The Coming Storm* (New York: M. E. Sharpe, 1994).

[57] On Saudi elites' limited demands for political reform, see F. Greg Gause III, *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States* (New York: Council on Foreign Relations, 1994).

split, state dependence proves the more powerful inhibitor of capital's enthusiasm for democracy.

Organized Labor and Democratization

If the preceding empirical investigation makes clear the contingent and instrumental nature of capital's commitment to democratization, further empirical study confirms a similar contingency and instrumentality on the part of organized labor. The two variables governing labor's contingent support for democracy are state dependence and aristocratic position. Again, the evidence suggests an inverse relationship between these variables and enthusiasm for democracy.

Mexico: State Dependence, Aristocratic Privilege, and Democratically Diffident Labor[58]

The Mexican case provides compelling evidence of the *diffident* attitude organized labor may exhibit toward democratization. The leading component of organized labor, the CTM, remained steadfastly allied with the Mexican regime even as that regime's restrictions on civil liberties, repression of the opposition, and repeated noncompetitive elections attested to its authoritarian character. More surprisingly, the CTM persisted in its commitment to authoritarianism even after the regime itself began to move in a more democratic direction.[59] The CTM denounced the regime's legalization of leftist parties in 1977, called for the expulsion of Cardena's reformist movement from the ruling party in 1988, protested opposition successes in the general elections held that year, and refused support to opposition parties in the 1990s. Ponte observes that democratization was organized labor's greatest fear.[60] The question is, why?

Both state dependence and aristocracy prove decisive in explaining the political disposition of the CTM. First, with regard to state dependence, the CTM long enjoyed an authoritarian bargain with the Mexican state. In exchange for the CTM's delivery of reliable political support and industrial peace, the regime provided labor with a host of organi-

[58] This analysis draws extensively on Middlebrook (fn. 52); idem, *The Paradox of the Revolution: Labor, State, and Authoritarianism in Mexico* (Baltimore: Johns Hopkins University Press, 1995); Stephen E. Morris, *Political Reformism in Mexico* (Boulder, Colo.: Lynne Rienner, 1995); Collier (fn. 4); and Rueschemeyer, Stephens, and Stephens (fn. 8).

[59] For explanations of the regime's decision to embrace democratic reform, see Morris (fn. 58), 7–31.

[60] Victor Manuel Durand Ponte, "The Confederation of Mexican Workers, the Labor Congress, and the Crisis of Mexico's Social Pact," in Middlebrook (fn. 52), 94, 101–2. See also Middlebrook (fn. 52), 15; Rueschemeyer, Stephens, and Stephens (fn. 8), 217–19; and Middlebrook (fn. 58), 292, 311.

zational and material benefits. These included financial subsidies and legal concessions (for example, exclusive domain and closed shop), as well as profit-sharing schemes, privileged access to social-welfare programs, subsidized urban housing and credit, expanded social security, and a nationally defined minimum wage.[61] Although the bargain with labor was lopsided (the state's superior power, both coercive and administrative, enabled it to set the terms of the alliance with labor in a self-serving fashion),[62] the organizational and material benefits delivered by the state *far exceeded what labor could have procured on its own.*

The structurally weak position of organized labor in the Mexican economy made political sponsorship by the state essential for labor's attainment of basic material and social rights.[63] Many factors (for example, high rates of unemployment, geographic dispersal of the labor force, small worker concentration per firm, low overall levels of unionization, and global pressures) undercut the structural position of organized labor in the Mexican economy.[64] Sponsorship by the state compensated for some of this weakness. But the logic of state sponsorship hinged on the persistence of an *authoritarian* bargain in Mexico and, more specifically, on the leverage that labor enjoyed as a key guarantor of popular support for the regime. Because democratization presented the regime with new ways to forge political legitimacy and build popular support, it threatened to rob the labor confederation of its key political trump (and its certainty of political sponsorship). As such, it proved less than attractive.

In addition to labor's dependence on state sponsorship (and the linkage of state sponsorship to an authoritarian system of rule), labor's diffidence about democratization was also a function of its "aristocratic" position in the Mexican economy. Despite decades of development-minded governments, poverty remained rampant,[65] unemployment and

[61] Collier (fn. 4), 59, 83; Ponte (fn. 60), 100; Lawrence Whitehead, "Mexico's Economic Prospects: Implications for State Labor Relations," in Middlebrook (fn. 52), 73.

[62] Middlebrook (fn. 52), 9; Whitehead (fn. 61), 75.

[63] Victoria Murillo, "A Strained Alliance: Continuity and Change in Mexico," David Rockefeller Center for Latin American Studies Working Paper no. 96–3 (Cambridge: Harvard University, 1996); Middlebrook (fn. 58), 288.

[64] Much of this structural weakness was a consequence of (or at least reinforced by) the late timing of Mexican industrialization. Late timing resulted in an immature industrial sector, still overwhelmingly composed of small, geographically dispersed firms. It led to the importation of turnkey projects from industrialized countries whose capital intensity did little to absorb labor surplus. It meant industrialization in the context of global capital mobility, reducing the leverage of local labor. For more, see Middlebrook (fn. 58).

[65] In 1989, 23 percent of Mexicans still lived below the poverty line and 7.3 percent lived in "extreme poverty." Sebastian Edwards, *Crisis and Reform in Latin America: From Despair to Hope* (New York: Oxford University Press, 1995).

underemployment remained high,[66] and the informal economy continued to account for a large proportion of the country's economic activity.[67] In this context unionized workers in Mexico's formal economy occupied a privileged economic position, enjoying access to stable employment, as well as nonwage benefits that far exceeded those enjoyed by the vast majority of their compatriots. These benefits included privileged access to state-subsidized housing, health care, financial credit, and retirement funds.[68] This privilege disjoined labor's interests from those of most other poor Mexicans and gave organized labor little incentive to join forces with other subordinate strata to make the state accountable to mass interests. To the contrary, organized labor had an interest in preserving its special relationship with the state, even if that meant bolstering an authoritarian regime. Thus, the CTM refused to support Cardenas and other left-leaning candidates in their campaigns of the 1970s and 1980s and continued to support the PRI in an effort to sustain the status quo.[69]

In short, diffidence about democracy has been the mark of leading trade unions in Mexico like the CTM. State dependence and aristocratic status go far toward explaining their reluctance to break with authoritarianism.[70]

KOREA: STATE PERSECUTION, ECONOMIC EXCLUSION, AND DEMOCRATICALLY COMMITTED LABOR[71]

In contrast to the Mexican case, organized labor in Korea has long been at the forefront of the struggle for democratization. Authoritarian rule in Korea was interrupted twice during the postwar era, and on both occasions organized labor played an active role in the popular movements

[66] In 1995 urban underemployment reached 25.9 percent and official unemployment figures for urban areas clocked in at 6 percent. See *The Economist: Country Profile, Mexico* (1996–97), 48.

[67] In 1996 the informal sector was the source of jobs for between 20 and 30 percent of the Mexican labor force. *The Economist: Country Profile, Mexico* (1996–97), 10; *Country Report, Mexico, Economist* Intelligence Unit (1st quarter, 1997), 21.

[68] Middlebrook (fn. 58), 221. Wage concessions won by the CTM generally translated into higher minimum wages that benefited all workers, not just union members. See also Wounter van Ginneken, *Socio-Economic Groups and Income Distribution in Mexico* (London: Croom Helm, 1980), 68–69.

[69] Ponte (fn. 60), 102.

[70] A counterhypothesis suggested by an anonymous reader argues that internal trade union democracy, more than state dependence or aristocratic position, might be the better predictor of organized labor's support for democracy. But the fact that democratically inclined trade unions have made pacts with authoritarianism when handicapped by structural weakness makes me skeptical; Ponte (fn. 60), 87, 100; and Enrique de la Garza Toledo, "Independent Trade Unionism in Mexico," in Middlebrook (fn. 52), 159, 174. Additional research is necessary to test this counterhypothesis.

[71] This analysis draws extensively on Eckert (fn. 30, 1990); Ogle (fn. 30); Koo (fn. 45); Frederic Deyo, *Beneath the Miracle: Labor Subordination in the New Asian Industrialism* (Berkeley: University of California Press, 1989).

agitating for reform.[72] In 1960 workers followed student-initiated protest, organizing scores of strikes and demonstrations that called for an end to corrupt government.[73] Similarly, during the 1980s workers joined forces with students, intellectuals, and church activists to pressure the regime to reform.[74] In contrast to Mexico's CTM, organized labor staunchly allied itself with the cause of democratization in Korea. What explains this divergence in labor's behavior?

The degree of labor's state dependence and aristocratic privilege prove important. Overall, labor did not enjoy a dependent relationship with the state in Korea. Labor's relative independence was a consequence of both state policy and labor's own market position. With regard to the state's posture toward labor, Korea stands in stark contrast to Mexico. In Mexico the regime's "revolutionary" origins inclined it toward alliance with the working class, and an import-substituting strategy of industrialization (that persisted well into the 1970s) provided it with sufficient economic space to accommodate labor's demands. In Korea, by contrast, the regime's emergence in a cold war context and its experience of civil war with the North made it extremely sensitive to the threat of communist overthrow. This spelled hostility toward organized labor, which was perceived as a potential vehicle for communist infiltration. In addition, the regime's early embrace of export-oriented industrialization put a premium on low-cost, quiescent labor, setting the regime at odds with organized labor.

Given these conditions, ruthless repression of labor (not cozy corporatist alliance) emerged as the defining mark of the regime. From the goon squads who hounded labor activists during the U.S. occupation to the legal emptying of the labor movement during Syngman Rhee's reign to the mass arrests of union militants under Park Chung Hee to the espousal of torture and "purification camps" under Chun Doo-Hwan, every postwar government in Korea repressed labor, often brutally.[75] Labor therefore had little incentive to side with the regime and every reason to push for reform that would make the state more responsive to mass interest.

Lack of state support thus gave labor both the independence and the interest to embrace the cause of democratization. But labor's inde-

[72] For historical details, see Eckert (fn. 30, 1990), 352–56; and Hamilton and Kim (fn. 30), 118–21.

[73] Ogle (fn. 30), 13–16.

[74] Eckert (fn. 30, 1990), 380; Jeonge Taik Lee, "Dynamics of Labor Control and Labor Protest in the Process of EOI in South Korea," *Asian Perspective* 12 (Spring 1988), 149; Koo (fn. 30), 39; Ogle (fn. 30), 116.

[75] For details of this repression, see Ogle (fn. 30); Koo (fn. 30); Lee (fn. 74); and Deyo (fn. 71).

pendence was also fostered by its market position. In contrast to the Mexican case, where high levels of unemployment, low levels of industrialization, and low skill levels spelled a structurally weak position for labor (and hence dependence on state propping), labor in Korea enjoyed a relatively strong structural position. Korea's rapid growth rate and the dramatic expansion of industry led to an increasingly tight labor market that strengthened labor's negotiating muscle.[76] In addition, the regime's shift into heavy industry reinforced labor's position by creating enormous industrial sites that concentrated workers and facilitated trade-union organizing. Furthermore, by focusing on industries that relied on skilled labor, this shift in strategy insulated labor from competition with the poorest of the poor in the global proletariat.[77] In short, Korea's development path favored labor with independent structural power, and this meant labor could look to itself rather than to state propping to advance its interests. This also freed labor to embrace political campaigns not favored by state elites.

Finally, Korean labor also scored low in terms of aristocracy. For all its growing structural strength, labor hardly enjoyed a privileged economic position in Korean society. Wages remained deplorably low, lagging far behind productivity gains and substantially trailing wages in many service sectors.[78] Working conditions were appalling.[79] And working hours were interminable.[80] This hardship was especially difficult for workers, given the material progress made by so many other sectors in society.[81] Workers "came to see themselves as the principal victims of economic development,"[82] not as the beneficiaries of aristocratic privilege. Worse still, the harsh treatment of workers was the deliberate intent of the regime, which saw the extreme exploitation of labor as the cornerstone of its development strategy. In contrast to the situation in Mexico, organized labor in Korea had no special, politically

[76] Koo (fn. 45), 1030; Deyo (fn. 71), 24.

[77] Wage comparison was made with workers in Europe and the U.S., not Bangladesh.

[78] Throughout the 1970s only 10 percent of workers in manufacturing and mining earned incomes equal to the minimum living standard set by the government. Only 50 percent made even half of that standard. Ogle (fn. 30), 76. See also Kong (fn. 44), 240. For figures on the failure of wages to keep pace with gains in productivity, see Hak-Kyu Sohn, *Authoritarianism and Opposition in South Korea* (London: Routledge, 1989), 234, n. 81. For wage differentials between industrial workers and workers in the service sector and agriculture, see Young-Ki Park, *Labor and Industrial Relations in Korea* (Seoul: Sogang University Press, 1979), 102; and Young-Bum Park, *Labor in Korea* (Seoul: Korea Labor Institute, 1993), 59.

[79] Manufacturers routinely ignored even the most basic health and safety regulations; Ogle (fn. 30), 77.

[80] Manufacturing workers averaged the longest workweek in the world, officially clocking in at fifty-four hours per week (though some argue that sixty hours per week was a more common average). Ogle (fn. 30); Deyo (fn. 71), 98.

[81] Kong (fn. 44), 226–37.

[82] Lee (fn. 74), 144.

mediated privilege to conserve and therefore every reason to support democratization of the political system.

In the Korean case low scores on state dependence and aristocratic position help explain organized labor's interest in and capacity for embracing democratization.

Corroboration from Zambia, Egypt, and Tunisia

The importance of state dependence and aristocratic position for shaping labor's commitment to democracy is further corroborated by evidence from Zambia, Egypt, and Tunisia. The Zambian case confirms that low scores on both these variables incline labor toward championing democratization.[83] The Zambian trade union movement (ZCTU), long one of the strongest in sub-Saharan Africa, was based primarily in copper mining. This sector provided the lion's share of the country's foreign exchange and government revenues. During the 1980s, however, a steep decline in international copper prices plunged the country into economic crisis. Workers experienced a huge erosion in wages, eliminating any vestige of aristocratic privilege.[84] The state, moreover, did nothing to insulate labor from the crisis but rather embarked on an energetic campaign of labor repression.[85] In this context of low aristocracy and negative state sponsorship, Zambia's labor movement emerged as one of the most enthusiastic campaigners for democratization. The ZCTU threw its support behind the Movement for Multi-Party Democracy, organizing strikes, mobilizing an extensive network of trade-union committees, and providing key leadership for the cause.[86] Like Korea, Zambia provides an example of a trade-union movement that once cut loose from the moorings of state support and exposed to harsh economic conditions emerges as a major champion of democratic reform. The Zambian case is also useful because it helps eliminate the rival hypothesis that links enthusiasm for democracy with economic growth and prosperity. In Zambia labor's activism on behalf of democratization came precisely at a time of great economic crisis. Compare this with the Korean case, where labor's agitation for democratization developed in a context of economic prosperity.

[83] This analysis draws extensively on Paschal Mihyo, "Against Overwhelming Odds: The Zambian Trade Union Movment," in Henk Thomas, ed., *Globalization and Third World Trade Unions* (London: Zed Books, 1995), 201–14.

[84] Low- and middle-income workers saw their wages decline by an average of 55 percent during the 1980s. See Mihyo (fn. 83), 203.

[85] Ibid., 208.

[86] Ibid., 201. For more, see L. Rakner, *Trade Unions in Processes of Democratization: A Study of Party Labour Relations in Zambia* (Bergen: Michelsen Institute, 1992).

In contrast to the Zambian case, the experience of organized labor in Tunisia replicates the pattern of the CTM in Mexico and shows that high scores on state dependence and aristocratic position can spell labor diffidence about democratization.[87] Organized labor (the UGTT) in Tunisia long enjoyed a collaborative, if troubled, relationship with the state. The state favored the trade-union movement with financial subsidies, a relatively generous legal context, and a host of wage and nonwage benefits for its members, in exchange for labor's political alliance.[88] These benefits privileged organized workers vis-à-vis workers in the country's massive and unorganized informal sector, and they far exceeded what labor would have commanded unassisted. But though the state favored organized labor in this way, it brooked no hint of political independence on the part of the UGTT and answered even the most minor challenge to state hegemony with brutal and unrelenting repression. As a result, the trade-union movement has distanced itself from the country's fledgling movements for democracy, denying them both financial and symbolic support.[89] In addition, the UGTT has consistently thrown its support to President Ben Ali, despite his regime's increasing repressiveness and authoritarianism. Labor's desire not to upset the apple cart of state patronage and privilege has prevented it from embracing the campaign for democratization.

The cases cited above have shown a fair degree of collinearity between state dependence and aristocratic position. In Egypt, however, the state dependence of the labor movement remains *high* but its aristocrat privilege is *declining*.[90] The labor movement was long party to a corporatist bargain with the Egyptian regime, exchanging worker restraint for essential material and organizational benefits from the

[87] This section draws extensively on Eva Bellin, "Stalled Democracy: Capitalist Industrialization and the Paradox of State Sponsorship in Tunisia, the Middle East, and Beyond" (Book manuscript), chaps. 4, 5.

[88] For example, throughout the 1990s the regime intervened in national wage negotiations to bolster the position of labor and guarantee wage gains that, while not dramatic, far exceeded what labor could command on its own. For more, see Bellin (fn. 87); and Christopher Alexander, "State, Labor, and the New Global Economy in Tunisia," in Dirk Vandewalle, *North Africa: Development and Reform in a Changing Global Economy* (New York: St. Martin's Press, 1996).

[89] For example, the UGTT has refused to publish any of the reports or declarations of Tunisia's Human Rights League (the crusading force for civil liberties in the country) in the trade union newspaper; nor has it ever publicly endorsed the league's work.

[90] This analysis draws extensively on Marsha Pripstein Posusney, *Labor and the State in Egypt* (New York: Columbia University Press, 1997); Joel Beinin and Zachary Lockman, *Workers on the Nile* (Princeton: Princeton University Press, 1987); Robert Bianchi, "The Corporatization of the Egyptian Labor Movement," *Middle East Journal* 40 (Summer 1986); idem, *Unruly Corporatism: Associational Life in Twentieth-Century Egypt* (New York: Oxford University Press, 1989); Ellis Goldberg, "The Foundations of State-Labor Relations in Contemporary Egypt," *Comparative Politics* 24 (January 1992).

state.[91] Both sorts of benefits spelled aristocracy and dependence for organized labor, and this politically mediated privilege wedded the trade-union movement to the authoritarian status quo, making it unreceptive to democratic reform. Thus, when Sadat began to move Egypt toward a multiparty system in the early 1970s, trade-union leaders vigorously condemned the plan because it threatened to reduce the influence they had enjoyed under the country's single-party system.[92]

Recently, however, organized labor has begun to shift its stance on democratization. In the last decade international pressure to undertake structural adjustment has forced the regime to retreat from its historic bargain with labor. Specifically, the regime has begun to reform the labor code in ways that will ax organized labor's most treasured advantage (job security), and it has endorsed privatization schemes that will contract the sphere of labor's political protection.[93] With the essence of labor's aristocratic privilege now under attack, trade-union leaders have begun to express support for democratization.[94] Persistent dependence makes the labor movement hesitant about dramatically endorsing political reform (for example, it has not formed an independent labor party to contest the ruling party), but declining aristocracy (and hence the declining value of the authoritarian bargain) makes labor receptive to reform, so long as it comes at someone else's initiative. All told, organized labor has shifted from candid negativism to an ambivalent attitude toward democratization, with a declining score on aristocratic privilege the best explanation for this change of heart.

Conclusion

The case studies presented in this article demonstrate that capital and labor are contingent, not consistent, democrats. This contingency, moreover, is not random. Support for democratization turns on whether capital and labor see their economic interests served by the authoritarian state. This, in turn, is shaped by two key factors for each social force. For capital, democratic enthusiasm hinges on its level of state dependence and fear of social unrest. For labor, democratic enthusiasm hinges on its level of state dependence and aristocratic position in soci-

[91] These included financial subsidies to the union, prestigious political positions for union leaders, and nonwage benefits for workers such as job security, social security benefits, and generous leave policy (maternity).

[92] See Bianchi (fn. 90, 1986) 438; and idem (fn. 90, 1989), 138.

[93] See Marsha Pripstein, "Egypt's New Labor Law Removes Worker Provisions," *Middle East Report* (May–August 1995), 52–53.

[94] Bianchi anticipated this development as early as the mid-1980s. See Bianchi (fn. 90, 1986), 443.

ety. The relationship is an inverse one, with higher values of dependency, fear, and aristocracy translating into reduced enthusiasm for democratic reform. In many late-developing countries a number of factors—including extensive state sponsorship, the structural weakness of social forces, pervasive poverty, and the evolution of democratic discourse—have led capital and labor to ally with authoritarian states rather than championing democratization. This experience diverges from that of the earlier industrializers—or at least from the historical myth of the early industrializers—and has political consequences that challenge the expectations of classic liberal and Marxist analysts.

At the same time, capital and labor's alliance with authoritarianism is not carved in stone. The political disposition of capital and labor is governed by interest. As political and economic conditions change, interests may change and alliances may be recalculated. Our case studies suggest some of the conditions that may prompt such realignment. The logic of international economic integration may force the state to reduce its sponsorship of social forces (Korea, Egypt). Or robust growth may eliminate mass poverty and the pervasive sense of fear within the propertied class (Korea). Under these conditions capital and/or labor may perceive democratization in a new light and choose to embrace it. The intertemporal variation found within cases like Korea, Brazil, and Egypt makes this possibility clear.

Predicting societal pressure for democratization, then, turns on the analysis of these variables. Capital and labor may well be champions of democracy, but for contingent reasons and not by universal dictum. The particular conditions of late development may dampen social forces' enthusiasm for democratization. But contingency also spells the possibility of democratic enthusiasm as conditions in late-developing countries change.