

Session 2

Are there Several Forms of Capitalism?

The Rise of Authoritarian Capitalism

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One of the most profound developments in recent decades has been the rise of authoritarian capitalism as a political-economic model, especially for developing countries. This model involves a fusion of autocratic politics and crony, state-guided capitalism.

Between 1988 and 1990, as the Cold War was winding down, pro-democracy protests broke out in several parts of the world, from China and Myanmar to Eastern Europe. The protests helped spread political freedoms in Eastern Europe and inspired popular movements elsewhere that overturned dictatorships in countries as disparate as Indonesia, South Korea, Taiwan and Chile. After the Soviet disintegration, even Russia emerged as a credible candidate for democratic reform. The overthrow of a number of totalitarian or autocratic regimes did shift the global balance of power in favor of the forces of democracy. But not all the pro-democracy movements were successful. And the subsequent “color revolutions” only instilled greater caution among the surviving authoritarian regimes, prompting them to set up countermeasures to foreign-inspired democratization initiatives.

More than a quarter-century after the fall of the Berlin Wall, the global spread of democracy unmistakably has stalled. Democracy may have become the norm in the West but, in the rest of the world, only a minority of states are true democracies. Using market forces to liberalize tightly centralized political systems may actually have aided the rise of authoritarian capitalism. Political homogeneity may be as inharmonious with economic advance as the parallel pursuit of market capitalism and political autocracy. But where authoritarianism is deeply entrenched, the fusion of autocratic politics and state-guided capitalism has progressed well in some prominent cases.

When U.S. President Barack Obama recently paid a historic visit to Cuba –the first by an American president since that small island-nation’s revolution established the first communist state in the western hemisphere in 1959– it aroused hopes of change. After all, Cuba has incrementally implemented limited economic reforms. Some analysts have hoped that democracy would follow capitalism into Cuba.

However, where communists monopolize power or dominate the political scene, a transition to democracy needs more than capitalism to proceed. Nothing better illustrates this than the world’s largest and oldest autocracy, China, which has risen dramatically as a world power by blending market capitalism and political monocacy. The Chinese Communist Party –which boasts 88 million members, more than Germany’s total population– dominates the country’s political, economic, and social life.

Vietnam and Laos –two other countries that, like China, officially claim to be communist while practicing capitalism– have also dashed hope for market forces to create a freer flow of ideas and to gradually open up autocratic political systems thriving on private enterprise. Vietnam and Laos began decentralizing economic control and encouraging private enterprise in the late 1980s and now rank among Asia’s fastest-growing economies. Yet their one-party systems have maintained tight control on political expression.

Capitalism actually strengthens a communist state's capacity to more effectively employ technology and other resources for internal repression and information control. One classic example is the notorious "Great Firewall of China," a government operation that screens and blocks Internet content, creating a politically sanitized information realm for citizens. By practicing authoritarian capitalism, an autocratic state can stay abreast with technological innovations to help deny dissidents the means to denounce injustice. Such denial can include blocking or real-time censorship of Twitter, Facebook and instant messaging.

The point is that, in countries where communists call the shots, a free market for goods and services does not generate a marketplace of ideas. There is no linear parallel in a communist state between rising prosperity through economic liberalization and political pluralism. Countries that liberalize economically do not necessarily liberalize politically, especially when political conditions remain adverse to change.

As an ideology, communism may have lost its moorings, yet it remains antithetical to democracy, because it is centered on monopolizing political power. In all the communist-governed states, cloistered oligarchies have emerged as the original ideology has given way to new means to retain political power, including family lineage, network of connections, corruption and ruthless self-promotion.

Still, communism has helped to spawn the model of authoritarian capitalism. As exemplified by China's spectacular rise as a global power in just one generation, the model of authoritarian capitalism represents the first direct challenge to liberal democracy since nazism's rise.

Communism was never a credible challenge to liberal democracy but authoritarian capitalism is. Through its success story, China, for example, advertises that authoritarian capitalism is a more rapid and smoother path to prosperity and stability than the tumult of electoral politics and the constant tussle between the executive branch and the legislature in democracies. This model provides encouragement to other autocratic states that sound economic growth and regime stability can be built through authoritarian capitalism.

More broadly, at a time when democratic and free-market principles have come under pressure, the rise of authoritarian capitalism underscores the imperative for an international debate on a fundamental issue—why the global spread of democracy has stalled. Is the rise of authoritarian capitalism one factor?

Human dignity matters a lot. A poor person can be happy but a rich individual can be miserable, depending on the circumstances of their existence. With dignity, even a poor person can hold his head high. The question is: Can a political-economic system that strips citizens of their dignity survive indefinitely? Authoritarian capitalism usually pretends to be meritocracy offering competent, quality governance and good economic opportunity to all.