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WALDEN BELLO*

THE GLOBAL CRISIS OF LEGITIMACY OF LIBERAL DEMOCRACY

IN MY BOOK, *DILEMMAS OF DOMINATION*, I identify three dimensions of the crisis of liberal democracy. The first is the crisis of overextension, or the growing gap between imperial reach and imperial grasp, the most striking example of which is the US's being drawn into a quagmire in Iraq. This has led to an erosion of its strategic position globally and made the threat of the employment of US military force to discipline recalcitrant governments and forces throughout the world less credible than it was three years ago. Hugo Chavez' scintillating defiance of American power would not be possible without the Iraqi resistance's successfully pinning down US interventionist forces in a war without end. The second is the crisis of overproduction, overaccumulation, or overcapacity. This refers to the growing gap between the tremendous productive capacity of the global capitalist system and the limited global demand for the commodities produced by this system. The result has been, over time, drastically lowered growth rates in the central economies, stagnation, and a crisis of profitability. Efforts by global capital to regain profitability by more intensively exploiting labor in the North or moving out to take advantage of significantly lower wages elsewhere

* PhD in sociology from Princeton University. Full professor of sociology and public administration at the University of the Philippines. Executive director of Focus on the Global South.

have merely exacerbated the crisis. On the one hand, neoliberal policies in the North and structural adjustment programs in the South have gutted global demand. On the other hand, the export of capital has created massive new industrial capacity in China and selected other countries. New productive capacity and stagnant if not declining global demand is the recipe for the exacerbation of the crisis of profitability.

One indicator of the deepening crisis of profitability is that competition has replaced cooperation as the dominant aspect of the relationship among global capitalist elites. From the project of globalization that more or less united the global capitalist class during the Clinton era, we have entered, in the Bush period, into a period of intense national or regional capitalist competition. In so far as the Bush administration adheres to the globalist capitalist project, it is that of managed globalization, one that ensures that US corporate interests do not get hurt but become the main beneficiaries of the process. Protection for US corporate interests and free trade for the rest of the world- this is the operational dictum of Washington, one that is now on display in the US's adamant refusal to abide by the NAFTA ruling on Canadian softwood imports. Given this nationalist-protectionist posture on the part of Washington, it is not surprising that the WTO talks leading to the Sixth Ministerial in Hong Kong are in danger of collapse.

The third dimension of the crisis that I identify is the crisis of legitimacy of US hegemony. This, I think, is as serious as the other two crises, since, as an admirer of Gramsci, I do think that legitimacy, more than force or the market, is the lynchpin of a system of social relations. One dimension of this crisis of legitimacy is the crisis of the multilateral system of global economic governance owing to the US' no longer wanting to act as a *primus inter pares*, or first among equals, in the WTO, World Bank, and the IMF, and its wishing to unilaterally pursue its interests through these mechanisms, thus seriously impairing their credibility, legitimacy, and functioning as global institutions. Another dimension of this crisis of legitimacy is the crisis of Lockean democracy, that model of democratic rule that the US has promoted as the system of self-rule both in the North and in the South. I would like to focus the rest of my talk on this dimension of the crisis of hegemony.

Lockean democracy is in crisis throughout the whole world today. This is ironic, given the fact that just over a decade ago, liberal democracy American-style was supposed to sweep everything before it. How different from the Fukuyaman end-of-history mood is the sense of crisis today, one that the thinker Richard Rorty captures quite well in his comment: "In the worst case scenario, historians will someday have to explain why the golden age of Western democracy, like the age of the Antonines, lasted only about two hundred years" (Rorty, 2004: 10).

Let me begin with the United States. There, the “democracy” in liberal democracy has long been put into question by the massive hijacking of elections by corporate financing that has corrupted both the Republican and Democratic parties and the systematic disenfranchisement of poor people symbolized by the Florida elections of 2000 and the Ohio elections of 2004.

There, corporate rule has reached its apogee with George W. Bush doing the bidding of US industry in torpedoing the Kyoto Protocol, awarding his vice president’s corporate allies such as Halliburton with no-bid contracts, going to war for his oil cronies, and creating a free-market paradise for US corporations in Iraq.

There, the military establishment has become so unaccountable to its nominal civilian superiors that one cannot but agree with William Pfaff when he writes, “The United States is not yet eighteenth century Prussia, when the military owned the state, [but] the threat is more serious than most Americans realize” (Pfaff, 2001).

There, the “liberal” in liberal democracy has been subverted by a Patriot Act that eliminates many of the few barriers that had remained between the individual and total monitoring and control by Big Brother. The Patriot Act is best described by Harvard Professor Elaine Scarry as “a gigantic license to search and seize that violates the Fourth Amendment” (Scarry, 2004: 12).

What is clear is that what prides itself as the first modern democracy has ceased to be a model for the rest of the world. What I would like to dwell on a bit is the state of democracy in the developing world. Just a decade ago, we were supposed to be in the midst of Samuel Huntington’s so called “third wave” of democratization, as country after country in Latin America, Asia, and Africa threw off ruling dictatorships and adopted variants of the Anglo-American democratic model. Today the recurrent question is: are we undergoing a reversal of that wave? Let me take as an example of the changing fortunes of democracy the situation in my country, the Philippines.

WHATEVER HAPPENED TO PEOPLE POWER?

“People power” used to be synonymous with the Philippines. In February 1986 Filipinos captured the imagination of the world when they rushed out to the streets to support a military rising and ousted the strongman Ferdinand Marcos. Fifteen years later, in January 2001, they again surged to the streets to bring down President Joseph Estrada, who was widely believed to be the recipient of hundreds of millions of pesos from illegal gambling activities. Today, however, they are largely absent while another president stands accused, this time of stealing elections.

Intercepted telephone conversations between President Gloria Macapagal Arroyo and an electoral commissioner during the elections of May 2004 showed her attempting to influence the outcome of the polls. Unable to deny it was her voice in the taped intercepts, Arroyo publicly apologized for a “lapse in judgment”. Instead of defusing the situation, the admission triggered widespread calls for her to resign.

In early September 2005, nearly three months after the scandal broke, Arroyo blocked a bid to impeach her, clinging to power despite a recent poll giving her the lowest overall performance rating among the country’s five most recent presidents. Those numbers were not, however, translated into numbers in the streets. The biggest rally anti-Arroyo forces could muster numbered, at most, 40,000. In contrast, hundreds of thousands had clogged the main highway running through Manila, popularly known as “EDSA”, for days on end in 1986 and 2001.

What happened, asked Manila’s veteran street activists. Why were the people no longer protesting a clear-cut case of electoral fraud by a president who was already vastly unpopular owing to ineptitude, uninspiring leadership and widely believed allegations of corruption even before the telephone intercepts surfaced?

The truth is that while people dislike Arroyo, they are also deeply disillusioned with the political system, which has come to be known as the “EDSA State”. Conversations with middle- and lower-class citizens inevitably produce the same answer to why they’re not out demonstrating: “Well, whoever replaces her will probably be as bad, if not worse”. Intrigued at the discovery that only a handful of students in my undergraduate class in political sociology at the University of the Philippines, the traditional hotbed of activism, had attended the rallies, I posed to them the question, “Is this democracy worth saving?” Two thirds said no.

Rather than taking to the streets, people are fleeing in large numbers to Europe, the United States and the Middle East. Some 10 percent of the Filipino labor force now works overseas, and one out of every four Filipinos wants to emigrate. It is estimated that at least 30 percent of Filipino households now subsist on remittances sent by 8 million expatriates.

The widespread cynicism about democracy is understandable, especially when Filipinos compare their lot with the Chinese or the Vietnamese. Some point out bitterly that while authoritarian Vietnam reduced the proportion of the population living in extreme poverty from 51 percent in 1990 to 10 percent in 2003, the Philippines could only bring it down from 20 percent to 14 percent in the same period. They decry the fact that at 0.46, the Philippines’ gini coefficient, the most reliable measure of inequality, is the worst in Southeast Asia.

ELITE CAPTURE OF DEMOCRATIC PROCESSES

I think that one key reason for the crisis of democracy in the developing world is that electoral democracies of the kind favored by the West have been extraordinarily vulnerable to being hijacked by elites. The system of democracy reestablished in the Philippines after the ouster of the Marcos dictatorship in 1986 illustrates the problem. It is one that encourages maximum factional competition among the elite while allowing them to close ranks against any change in the social and economic structure.

VIPPTThe Philippine system is democratic in the narrow sense of making elections the arbiter of political succession. In the principle of “one man/woman, one vote”, there is formal equality. Yet this formal equality cannot but be subverted by its being embedded in a social and economic system marked by great disparities of wealth and income.

Like the American political system on which it is modeled, the genius of the Philippine democratic system, from the perspective of the elite, is the way it harnesses elections to socially conservative ends (Bello, 2003: 80-91). Running for office at any level of government is prohibitively expensive, so that only the wealthy or those backed by wealth can usually stand for elections. Thus the masses do choose their representatives but from a limited pool of people of means that may belong to different factions—those “in” and those “out” of power—but are not different in terms of their political programs. The beauty of the system in the eyes of the elite is that by periodically engaging the people in an exercise to choose among different members of the elite, elections make voters active participants in legitimizing the social and economic status quo. Thus has emerged the great Philippine paradox: an extremely lively play of electoral politics unfolding above a class structure that is one of the most immobile in Asia.

Allowing for institutional and cultural variations, one can say that the dynamics of democratic politics in countries such as Brazil, Argentina, Mexico, Ecuador, and Thailand are similar to those in the Philippines. Elite democracy is one word that some have used to describe this system. Polyarchy is another. However, elite capture of democratic processes is, in my view, only one factor that subverted the performance of the new democracies that emerged in the 1980s. Another development was equally critical: their economic promise was undermined by the demands of external actors.

THE EXTERNAL SUBVERSION OF DEMOCRACY

Let us revisit that historic conjuncture of the early 1980s. The military dictatorships were collapsing not only because of internal resistance but also because key external actors such as the United States, Euro-

pean Union, the World Bank, and International Monetary Fund (IMF) withdrew their support from them. Now, one of the major reasons for this about face was that the dictatorships had lost the credibility, legitimacy, and minimum support to impose the economic reform programs, better known as “structural adjustment”, that these influential forces demanded. Promoted as necessary for economic efficiency, these programs were designed to more widely open these economies to foreign capital and foreign trade and to enable countries to pay off their enormous foreign debts.

For instance, in Brazil and Argentina, tight monetary policies and tight fiscal policies drew opposition not only from labor and other civil society groupings in the early eighties but also from business groups. Business interests once benefited from labor-repressive policies imposed by these military dictatorships. Now, however, business circles began to distance themselves from repressive governments when neo-liberal policies failed to produce the promised economic growth. As Stephen Haggard and Robert Kaufmann observed:

With economic problems mounting, business elites began to reevaluate the costs and benefits of the technocratic decision-making style that characterized authoritarian rule. Business groups had complained periodically about their lack of access to the remote technocrats who conducted macroeconomic policy, but such concerns had been offset by particularistic benefits and the fact that governments were willing to repress popular sector challenges. The private sector’s gradual disaffection did not reflect a democratic epiphany, but a pragmatic response to changing circumstances. With authoritarian governments increasingly unable to deliver their side of the bargain, “voice” began to appear increasingly important to business groups, even if it meant reopening the arena to the previously excluded popular sectors” (Haggard and Kaufman, 1995: 59-60, 192).

The democratic governments which displaced authoritarian regimes soon confronted their own dilemma. On the one hand, redistributive policies were blocked by elites that had joined the anti-dictatorship coalition, a development that we have already discussed. At the same time, expansionary fiscal policies were discouraged by the World Bank and the IMF. It soon became clear that what the multilateral agencies wanted them to do was to use their democratic legitimacy to impose structural adjustment programs. In Argentina, for instance, the international financial institutions pressured the new government of Raul Alfonsin to abandon neo-Keynesian policies, implement tax reforms, liberalize trade, and privatize public enterprises. When the regime quailed, the World Bank “concluded that the government had

not made sufficient progress toward its reform goals and suspended disbursements on a structural adjustment loan”.

Electorate democracy became the prime mechanism for the imposition of stabilization or structural adjustment programs in Jamaica, Haiti, the Philippines, Peru, and Pakistan. In Jamaica, the progressive Manley government suffered a devastating loss of legitimacy when it caved in to pressure to impose an IMF stabilization program blessed by Washington. The program eroded living standards. It led to Manley's crushing defeat in the 1980 elections by a successor who proceeded to continue the same policies at the behest of the IMF. In Peru, the government of Alberto Fujimori was elected on a populist, anti-IMF platform, but proceeded to impose a neoliberal “shock” programs that included steep price increases in the rates charged by state enterprises as well as radical trade liberalization (Huber and Stephens, 1997: 8). These measures provoked a deep recession, leading to popular discontent that in turn provoked Fujimori to suspend the constitution, close Congress, and rule as a strongman with little respect for constitutional restraints.

In the Philippines, the US and the multilateral agencies abandoned Marcos. Not only was his political position untenable owing to massive popular resistance, but his government's lack of legitimacy had made it an ineffective instrument for repaying the massive \$28 billion foreign debt and for implementing IMF stabilization policies. An economic crisis accompanied the end of the old regime, but that did not stop the World Bank and the IMF from demanding that the fledgling democratic government of President Corazon Aquino make debt repayment its top national economic priority. People were shocked, and some of Aquino's economic advisers protested, but the government submitted, issuing a decree that affirmed the “automatic appropriation” of the full amount needed to service the foreign debt from the budget of the national government. With some 40 to 50 per cent of the budget going to service the debt, this practically precluded national development, since all that was left went to salaries and operational expenses, with little left over for capital expenditures. In some years, 10 per cent of the country's GDP was spent servicing its foreign debt. Thus, it is hardly surprising then that the Philippines registered average growth of below 1.5 per cent per annum between 1983 and 1993.

It is ironic that today former President Aquino marches against President Arroyo when she herself was responsible for many economic policies, notably the model debtor policy, that Arroyo inherited. As in Peru, Argentina, and the Philippines, the return of democracy to Brazil was accompanied by scarcely veiled warnings from the IMF and

the US that the first order of business for the new regime was to accomplish what the exiting military regime had failed to do, that is, to impose stabilization programs raising interest rates, cutting back government expenditures, devaluing the currency, and liberalizing trade. From the mid-eighties to the 2002, a series of governments eroded the credibility of democracy by undertaking unsuccessful efforts to impose on a recalcitrant population the economic stabilization desired by Washington and the IMF¹.

The latest victim is the government of “Lula” or Luis Inacio da Silva of the Brazilian Workers’ Party, one of the most committed anti-neoliberal parties on the continent. Before he even won the presidential elections in the fall of 2002, Lula did the unprecedented in Latin America: he promised the IMF that he would honor the high-interest, expenditure-restrictive conditions of a stabilization loan negotiated with the outgoing President Fernando Henrique Cardoso. Lula acted under duress. The Fund made it clear it would not release the remaining \$24 billion of the stabilization loan unless he behaved.

Lula was true to his word. Consequently, in 2003 Brazilian GDP contracted by 0.2 per cent in Lula’s first year; unemployment surged to a record 13 per cent. This bitter medicine for the Brazilian people was, however, a tonic for foreign investors. In the first eight months of the year, even though the economy remained depressed, Brazilian stocks soared by over 58 per cent, prompting *Business Week* to advise speculative investors: “Don’t leave this party yet”² (*Business Week*, 2003: 63). As for Lula, he faced mounting criticism from within his own Workers’ Party and governing coalition as well as from ordinary voters; only 28 per cent of the population voicing support for his government (Smith, 2004). In other words, even before the current crisis stemming from corruption among Lula’s closest advisers, the government was already in trouble owing to its adoption of contractionary policies.

Reversal of the third wave of democratization now looms as a threat throughout Latin America, where a poll conducted by the United Nations Development Program in 2004 that showed that 54.7 per cent of Latin Americans polled said they would support authoritarian regimes over democracy if the shift would resolve their economic woes (Diamond, 2001: 358).

In South Asia reversal of the third wave is already a reality. When Gen. Pervez Musharraf seized power in Pakistan in October

1 See, among others, Geisa (2002: 5-33); also Haggard and Kaufman (1995: 193-196, 209-211).

2 See also Burbach (2004).

1999, and sent the Prime Minister Nawaz Sharif packing, he ended 11 years of unstable democracy. So worrisome to many orthodox students of democracy was Pakistan's democratic breakdown that analyst Larry Diamond wrote: "Pakistan [may] not be the the last high-profile country to suffer a breakdown of democracy. Indeed, if there is a 'third reverse wave', its origin may well be dated to 12 October 1999" (Kemal, 2001).

Post-mortems of Pakistan's parliamentary democracy tend to focus on corruption, collapse of the rule of law, ethnic and religious polarization, and economic failure. Other explanations center on an unaccountable military that had enjoyed special relations with the Pentagon owing to its key role in driving the Russians out of Afghanistan. Certainly, all this played a part. But also crucial was the role played by the IMF and World Bank, which pushed the democratic regimes of both Benazir Bhutto and Nawaz Sharif to impose stabilization and structural adjustment programs that contributed significantly to the rise of poverty and inequality as well as fall in the growth rate. (13) Noted one eminent Pakistani economist: "The almost obsessive concern with short-term macroeconomic stabilization has with it the danger [...] that some of our basic social programs might be affected, and this would have inter-generational consequences on development in Pakistan" (Shore, 1999). Since democracy became associated with a rise in poverty and economic stagnation, it is not surprising that the coup was viewed with relief by most Pakistanis, from both the middle classes and the working masses.

THE CHALLENGE

In a recent essay, the philosopher Richard Rorty sketches a bleak dystopian portrait of where Western democracy is headed:

At the end of this process of erosion, democracy would have been replaced by something quite different. This would probably be neither military dictatorship nor Orwellian totalitarianism, but rather a relatively benevolent despotism, imposed by what would gradually become a hereditary nomenklatura.

That sort of power structure survived the end of the Soviet Union and is now resolidifying under Putin and his fellow KGB alumni. The same structure seems to be taking shape in China and in Southeast Asia. In countries run in this way, public opinion does not greatly matter. Elections may still be held, but opposition parties are now allowed to pose any serious threat to the powers that be. Careers are less open to talent, and more dependent on connections with powerful persons. Since the courts and police review boards are relatively powerless, it is often necessary for shopkeepers to pay protection money to the police,

or to criminals tolerated by the police, in order to stay in business. It is dangerous for citizens to complain about corruption about the abuse of power by public officials. High culture is restricted to areas that are irrelevant to politics [...] No more uncensored media. No more student demonstrations. Not much in the way of civil society. In short, a return to the Ancien Regime, with the national security establishment of each country playing the role of court in Versailles. (Rorty, 2004).

This dark vision may not yet be applicable to western democracies, though some of my friends claim it is a perfect portrayal of Washington under the Bush regime. It is, however, a credible end point if the forces that are eviscerating democracy are not subdued. This is not an unfamiliar vision. At the turn of the 20th century, Max Weber referred to the “iron cage” of bureaucratization and Robert Michels called attention to the “iron law of oligarchy”. Today, the “iron cage” is being forged by a number of forces: bureaucratic centralization that has run out of control, the drive of a national security establishment playing on terrorist fears, corporate concentration and control of production and markets. In the case of the third world, one must add to this brew the draconian policies of powerful multilateral institutions and the systematic subversion of democratic mechanisms by local elites to gain a comprehensive picture of the threats that are strangling democracy globally.

To respond to these threats we very badly need first of all a reconceptualization or fundamental revisioning of democracy at various levels. Too long have we identified democracy with elections, so that once we had trooped to the polls and elected the people and party of our choice, we considered our democratic responsibilities fulfilled. Today, more than ever, today, Rousseau’s warning about representative systems being corrupted so that they generate the corporate will of the representatives rather than the general will of the represented remains very relevant. Today more than ever, Michels’ warning about elections becoming less a question of the people freely choosing their representatives than their so-called representatives using elections to maintain themselves in office rings true. Moving on boldly to innovate more direct and participatory methods of democratic governance is one of the key challenges facing all of us, and here the anti-globalization movement with its emphasis of direct democratic methods of decisionmaking can be of great assistance to us.

Then there is the challenge of how to restore equality as one of the key dimensions of democracy. We can no longer pretend that a functioning democracy can be sustained when there is a formal equality of citizens but there are very real and large inequalities of wealth among them. We have seen both in the United States and in the developing

world the systematic perversion of democracy at every turn by money and wealth. Campaign finance reform is only a first step in reversing this trend. In my view, strengthening democracy is inseparable from achieving a more equitable distribution of assets and income—meaning reversing the spontaneous drive of the market to create and perpetuate inequalities. The disembedding of the market from society, to borrow an image from the great Hungarian scholar Karl Polanyi, in the name of efficiency and prosperity has been the greatest creator of inequality, the greatest subverter of democratic legitimacy in the last quarter of a century. We have relearned the hard way what we have been taught by the classic theorists of democracy—that you cannot divorce equality from democracy. We have learned the hard way that, contrary to Milton Friedman’s classic dictum, market freedom translates to more freedom for corporations and more unfreedom for citizens. We must understand that the *modus vivendi* between democracy and capitalism called Lockean democracy has long been dysfunctional, and that to survive, contemporary democracy must break out of the rigid Lockean shell that now imprisons it.

We must, above all, face the fact that capitalism and democratic deepening are no longer compatible, and that the challenge lies in the nature and degree of the restraints that we put on the market while we restructure the system of production and consumption around the satisfaction of the needs of people and the community rather than profitability. Call this participatory economics, social democracy, people’s economics, or socialism—what is essential is that the market be drastically re-embedded in society, subject to the primordial human values of community, justice, equality, and solidarity.

Then, finally, there is the challenge of reining in the big bureaucracies which have come to view themselves as above democratic politics. There are the corporate elites that say that achieving efficiency in production and distribution can only be achieved through hierarchical control—that democracy has to do strictly with political representation but stops at the realm of production; the technocratic elites that say that management of the modern state and economy is too complex for ordinary citizens and must be left to the experts; the national security elites that say that the exigencies of providing national security and carrying out contemporary warfare involving split-second decisions necessitate a limitation of the classical freedoms of an earlier era and insulation of the national security establishment from what they disdainfully regard as the “vagaries” of civilian democratic politics. What is insidious about the behavior of these elites is that even as they quietly maintain that a technocratic centralization is the imperative of modern societies and that democratic practice must adjust this fact

of life, they opportunistically use the slogan of limiting and reducing government to hide their technocratic agenda. I am of course speaking about the most influential sectors of the Republican Party of the US, who cleverly use the Christian Right and the Cato Institute small government types as canon fodder to advance their program of conservative centralization.

Let me end by saying that with democracy facing a crisis globally, we cannot approach the problem as if it were simply one of tinkering with processes that are essentially sound and simply need sorting out. We are being faced with the classical questions of democratic theory, the fundamental questions, to which we must frame ideas and institutional solutions appropriate for the times. We must grasp and face with courage the full dimensions of the threat posed to democracy, for it is our ability to confront them that will provide the answer to the question of whether the global democratic revolution will deepen or it will become a thing of the past, leaving future historians, as Rorty puts it, with the puzzle why the golden age of democracy, like the age of the Antonines, lasted only about two hundred years.

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