

# Globalization, Democratization and the European Miracle<sup>1</sup>

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## I. The European Miracle

In his fascinating book *The European Miracle* Eric Lionel Jones, like other important scholars before and after him,<sup>2</sup> addresses the question why Europe alone managed the feat of steering a developmental course which finally led to thriving capitalism, the rule of law and democracy. How was it possible that the Europeans at last escaped exploitation by their rulers, curtailed arbitrary power and created societal institutions which encouraged productive investment and sustained economic growth? But unlike other authors who are dealing with the same topic Jones is not content with the explanation that institutional history is the result of social and political factors or of lock-in effects of endogenous incentives inherent to institutions themselves. He, first of all, tries to understand the natural environmental advantages in historic Europe which, as fundamental pre-conditions, made an “evolving frame” of promising political decisions and developments at all possible and more probable than in other regions of the world: “Europe possessed such special features of site, location and resource endowment that we are bound to try to grasp the nettle of environmental explanation. Fruitful political variety, capital accumulation, and trade all seem partly explicable as adjustments to Europe’s particular site and endowments.” (Jones 1981, p. 226) This approach does not mean that Jones adheres to a simple model of natural determination or underestimates the fact that social processes have their own logic. His aim is rather to analyse the interaction of social processes and their physical setting where

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1 As always, I thank Margaret Birbeck for her invaluable translation work on this manuscript.

2 Cf. for example Brunner 1956; Hall 1986; McNeill 1984; North/Thomas 1973; Weber 1981.

the role of environmental factors was “to sketch out least-cost paths of human action” (p. 228).

But what can we learn from Jones’s point of view and his insights in regard to the consequences of globalization for the chances of worldwide democratization? At first sight it seems unlikely that we can deduce very much at all about the prospects of democratization in a modern world by collecting information on the natural environment of the European states centuries ago. On the one hand, this kind of environment was obviously unique, otherwise it could not at least in part have accounted for the unparalleled European development. On the other hand, due to the massive technological and scientific progress, natural environmental factors hardly play the same role in the world today as they did five hundred years ago in Europe.

Closer inspection reveals, however, that, contrary to the first impression, there are indeed striking similarities between the “local” world which made the “European miracle” possible in historic times and the globalized world we are living in today. This statement does not, of course, refer to similarities in natural environmental factors, but to a bundle of “artificial” conditions which have been created by humans as the result of globalization and the achievements of modern technology. But it can be argued plausibly that these products of civilization today can be seen as the *causal equivalents* of the purely natural conditions at that time. If this is true and the epoch of globalization is, in some respect, now creating a framework universally which was conducive to the overthrow of autocracy and arbitrary power in Europe in the past, this could support an optimistic view of the impact of globalization on democratization and the taming of political power.

I will start with a short overview of the factors which, according to Jones’s study, were crucial for the unique European development and will then analyze in how far those factors or rather their equivalents are present today. But the important similarities between the old European world and the modern world are not restricted to facts concerning the natural environment of Europe. These similarities also include political, economic, intellectual and cultural dimensions.

## II. European Market Economy

The emergence of a market economy in Europe was the necessary precondition for economic growth and also a decisive factor for the later development towards the rule of law and democracy. Therefore the

question how it was possible that private property in Europe could be secured against arbitrary political acts, thus granting autonomy to Europe's economy "which under feudalism was virtually embraced within the political system" (p. 85), is of paramount importance in understanding the peculiarities of European history.

Jones's consideration starts with the assumption that it was crucial to the establishing of markets that political power was no longer merely to command the means of coercion but also to control the purse. Adam Smith sketches a classical explanation of this development in *The Wealth of Nations* (1937, p. 169-70) when he refers to the evolving demand of feudal rulers to acquire luxuries from traders. According to Smith this interest forced them to gradually change the feudal subsistence economy and claim cash rents from their subjects and followers for the land they held, instead of rendering personal service and payments in natural goods. This new demand forced the retainers to take their produce to market and required from the rulers the establishing of rights over the disposal of land – thereby creating a dynamic which unintentionally and with an "invisible hand" prised society "out of its non-market bed" (Jones 1981, p. 86).

But Jones points out that this phenomenon is not sufficient to explain the emergence of autonomous markets which were safe from political intervention or control. A considerable amount of trade was possible without the freedoms of the market economy. The feudal rulers could satisfy their longing for luxury goods without granting encompassing individual property rights. But without the enforcement of such rights, transaction costs were too high for much trade to take place at all. For Jones it was decisive that rulers were attracted to the advantages of trade and commerce not only as a means of satisfying their personal demands for exquisite goods but also by the prospect of taxing transactions on a regular basis – even when "ironically enough this taxation was likely to be for the means to pay for that classic mode of non-market redistribution, war" (p. 88).

However, there are three additional preconditions for actually converting a fundamental need for cash into active measures to establish a stable political and institutional framework for trade and commerce to take place on a significant level:

Firstly, the rulers must be convinced that a market economy is more efficient than other forms of economic systems as a guarantee of their rent.

Secondly, the rulers must be provided with the means to protect trade from internal disorder and external interference.

Thirdly, the rulers must expect that the benefits of calculable levies through a proper functioning of a market system will be more valuable to them than random and disruptive confiscations.

According to Jones all three preconditions were fulfilled in Europe:

In regard to the intellectual element, Jones points out that the Physiocrats and Adam Smith had been able to demonstrate the economic efficiency of a market economy and its superiority over other forms of economic systems: “At the point of change the market economy’s full virtue had been accepted.” (p. 95) The political rulers saw “it as a means of obtaining and securing revenues greater than might be acquired from feudal dues and various forms of land tax” (p. 89).

Regarding to the demand that a society must be able to protect itself from outside disturbances and to offer good profits by establishing internal order, Jones states – somewhat unexpectedly – that “a tightly organised feudalism” (p. 88) was especially well prepared for providing these kinds of guarantees. European feudalist societies had sufficient military resources to handle external aggression, and they also created a kind of institutional order which was efficient enough to secure peace between its subjects and enforce the elementary rules of decent conduct in the market place.

Natural factors became important especially in regard to the third point. Europe offered great complementarities due to the diversity in climate, geology and soils. The resources were plentiful but spread over a huge area. At the same time the transport costs were low compared to those in other regions with great continental land masses. These physical circumstances encouraged a long-distance, multi-lateral trade in bulk loads of utilitarian goods. The peculiarities of European trade arose because “Europe’s very considerable geological, climatic and topographical variety endowed it with a dispersed portfolio of resources” (p. 227).

Due to the nature of this trade, taxing goods became more rewarding for the rulers than appropriating them: “Because trade was heavily in prosaic commodities, it seldom tempted the confiscatory ambitions of princes. They were more alert to the yield of regular dues and taxes.” (p. 91) And low unit values made it especially necessary to secure bulk trade on a regular basis to extract significant revenues. Therefore the inner pacification of their realms became more and more important for the rulers: “Important elements in the process were internal pacification and colonisation. The suppression of local violence and separatism by central government forces was one more non-market means of extending the market.” (p. 137)

Jones sums up: “The dispersed and varied pattern of resources encouraged bulk trade in utilitarian goods among many centres, often far apart. Trade of this kind received the protection of political authorities

because, whereas individual consignments were not especially valuable and tempting to seize, a steady flow of them offered revenues from taxes and duties supplementary to revenues from land. ... Arbitrary behaviour such as confiscations could only harm revenues from this source and princes learned the trading benefits of subduing the waywardness of their subjects, and grudgingly of themselves too." (p. 102 f.)

With the establishment of a market system as a basis for a regular flow of taxes, the granting of property rights on a durable and calculable basis became necessary. Additional pressure on the rulers to improve the living conditions for their subjects arose from the benefits to themselves of attracting and retaining as many productive and well-paying citizens as possible. This aim forced the European rulers into a competition for supplying the services of order and adjudication even beyond the minimum level that was necessary for a market exchange. The development towards more security and freedom was additionally enforced by a growing ability of the people to protect themselves against the abuse of power: "Trade raised a class with international connections, rising political influence, and probably a greater interest in peaceful intercourse than in the hazardous sweets of trade war." (p. 125) The mercantile purse eventually became powerful enough to abridge royal arbitrariness.

In this way the establishment of markets to secure taxing on a regular basis triggered a development which not only exhibited a self-enforcing mechanism but also a tendency to start a progressive dynamic towards ever-increasing freedom and rights.

### III. European States System

A second important element of Europe's unique development was the stable existence of a system of states which had been continuously influencing and competing with each other for hundreds of years: "States began to emerge about A. D. 900; supposedly there were still one thousand polities in the fourteenth century; nation-states began to develop in the fifteenth century; at the beginning of the following century there were 500 more-or-less independent units; by 1900 there were twenty-five." (p. 106) Whereas the majority of the world's population was living in steadily expanding empires, no empire was successfully built up within Europe: "Europe instead became a single system of states in which change in one cell affected the others." (p. 104) The survival of such a long-lasting system of states is a miracle of its own. To secure the existence of the individual states and prevent the rise of monolithic empires the maintenance of a

most difficult balance of power was necessary. During the history of Europe there always “remained a large enough number of approximately similar states to preserve the shifting coalitions that successfully opposed control by a single power”. (p. 107)

According to Jones the development of such an improbable system was primarily based on a characteristic of the European environment: scattered regions of high arable potential set in a continent of wastes and forests. These regions were the “core-areas” of many states: “Major natural barriers protect several parcels of territory the size of modern nation-states and the more durable polities expanded to fit the framework and there stop. ... [u]ntil the end of preindustrial times Europe was a succession of population islands in a sea of forest and heath.” (p. 106) In the core regions a number of states emerged which in their size and clout were sufficiently equal to prevent a single unified European state and preserve the fragile balance between them by changing coalitions.

At first sight one would expect big and autonomous empires to generate significant economies of scale and consequently always be superior to small states who, in addition, are constantly in conflict with each other. The European experience debunks this assumption. In states systems power is distributed between different units, so there is no central organ which can make absolute and irrevocable decisions – decisions which, for example in medieval China, could hinder societal progress for a long period. Contrary to this, a ruler in a states system could not dare to merely follow his personal ideas and preferences. The fight for survival in a competitive states system forces the rulers in the different countries to constantly develop further military technology and economic resources if they do not want to be overpowered by their neighbours. And this again requires a package of measures which makes a more cooperative relationship between rulers and subjects necessary in contrast to huge empires where the rulers monopolized the means of coercive power and were not threatened by external forces. This does not mean that Europe was free from suppression and arbitrary power but “excessive consumption and debauchery and terror were much more prevalent in the empires of Asia and the Ancient World than in the states of Europe”. (p. 110)

In Europe it was a fundamental fact which had to be taken into account by all rulers that their states were surrounded by actual and potential competitors. This constellation alone brought about a minimal protection against arbitrary despotism. A large empire which had no equally powerful neighbours had little incentive to adopt new institutions or to consider the interests of its subjects. In contrast, a competitive states

system was an insurance against economic and societal stagnation. The rulers in such a system could not afford to completely neglect favourable conditions of productivity and welfare, and it would be highly risky for them if they were to lose the loyalty of their subjects altogether. Under the permanent threat of conflict and local wars it was decisive for them to dispose of sufficient economic resources and enough able-bodied men who were ready to fight and risk their lives if necessary.

It did not matter in this regard that the goals of the European rulers were dynastic and military rather than developmental. The important fact is that the target of the rulers was the creation of stable economic growth – even if they were motivated by the dynamic of an arms race: “Rulers, whose schemes for glory drove them to prepare for war, began to do so by actively improving the economic base”. (p. 135) This meant more public order, fewer obstructions to business, abolition of legal and customary restrictions on factor mobility, enforcement by law of freely negotiated contracts, the improvement of communications and measures to unify the market. The aims of the ruler and of the rising “middle” and merchant classes were thus in many ways confluent.

#### **IV. European Unity and Mobility**

Seen from one perspective, Europe presented a mosaic of scattered states, decentralised powers, different peoples with different languages under rulers who were antagonistic towards each other. But, from another perspective, Europe’s states and regions, irrespective of their manifold differences, exhibited obvious patterns of unity: “Edmund Burke was typical of the eighteenth century in proclaiming that ‘no European can feel himself a complete exile in any country of the continent’.” (p.111) The diversity in Europe was limited and significant similarities between the Europeans prevented them from regarding each other as complete strangers.

This unity revealed itself in several dimensions: the predominance of a limited number of languages as a medium for mutual understanding, common scientific categories and approaches, and an economy with a considerable degree of homogeneity in production and demand. Europe developed into a region “which shared in salient respects a common culture, or series of overlapped lifestyles, and formed something of a single market” (p. 117).

On the basis of these unifying elements, Europe was characterized very early on by a high grade of mobility: mobility of persons, goods,

capital, labour, knowledge and news. Students and scholars chose their location according to the best place to learn, teach and do research. Skilled civilian labour and entrepreneurs were willing and often able to migrate, “despite a variety of governmental promulgations to the effect that specialist labour should stay put”. (p. 115) International hiring of labour became commonplace. Tastes and fashions were similar enough to create a Europe-wide demand for the same goods – from foodstuffs to furniture and clothes – thus promoting a steady border crossing trade. A regular exchange of information and commercial know-how developed which contributed to the diffusion of best practices – whereby the efforts of governments to prevent the passing on of special expertise were futile in most cases. So in contrast to the truly isolated civilisations of the world, in Europe a common stock of knowledge was constantly able to filter through. European unity on the basis of a shared culture “demonstrates that political decentralisation did not mean a fatal loss of economies of scale in production and distribution. The states system did not thwart the flow of capital and labour to the constituent states offering the highest marginal return. Princes and governments, with the characteristic short-run goals of politicians, often wished to staunch the flow but were largely unable to do so.” (p. 117)

But another consequence of this remarkable European unity is even more important here: the mobility it facilitated was not only advantageous to economic growth and technological progress, but was also an important shield against political arbitrariness and exploitation. The rulers were not able to prevent their subjects from being completely informed about the living conditions and political situation in the other states. And as the common culture and a feeling of elementary togetherness offered real opportunities to individuals in Europe to live in other countries, the threat of emigration became a serious menace to all European rulers, especially when the threat came from members of classes the rulers were themselves dependent on: “The potential ‘exit’ of propertied men was an implicit rein on arbitrary power. ... Fundamentally, freedom derived from the states system, from the existence of nearby countries to which one might remove or flee, where one’s religion or opinions were not obnoxious and might even be orthodox, and where the way of life was not completely unfamiliar.” (p. 118) And it indeed happened that whole populations in border areas sometimes shifted their allegiance to the country which was governed best. The exit-threat forced the European rulers to consider the needs and interests of their subjects to a larger extent than a market system alone would have necessitated.

It is true that Europe's history was a history of suppression, war and persecution. But it was also a history of liberation and rescue. Skilled labour, technological expertise and investment capital were scarce enough to make refugees more than welcome. Europe's political variety offered manifold refuges and, with the refugees, a common European culture and lifestyle in turn were further strengthened and deepened.

In sum we can say that the European miracle emerged from the historic fundament of a states system which embodied a structure of mutually influential elements, a common culture, reactive politics and trans-national markets. The demand for cash plus the natural conditions in Europe promoted the development of bulk trade in utilitarian goods and relatively stable property rights. The states system prevented the emergence of one single European empire, and this kept up the pressure on the rulers to stay competitive with their nearby rivals and enemies, to promote the flourishing of market exchange and to secure the loyalty of their citizens. Europe's cultural unity, on the other hand, reinforced the pressure on the rulers to guarantee acceptable living conditions for their subjects. The states had to compete for mobile capital, prove their creditworthiness and, in addition, institutionalize a calculable jurisdiction and bureaucracy plus reliable guarantees against confiscatory taxing. This alliance between state and capital unintentionally helped a new class of wealthy, influential merchants and entrepreneurs to emerge: this was the birth of a bourgeoisie in the modern sense of the word which would play a decisive role in what would become the rule of law and democracy in Europe.

### V. The Global Miracle?

Already on superficial inspection it is obvious that there are significant similarities between the historical conditions which helped to produce the European miracle and the present conditions which obtain globally. Of course, such similarities have their limitations and it would be naïve to think that they could automatically produce the same results. Also one has to consider that in Europe there were other factors which were part of the parcel and which are not ubiquitously present today: for example the separation between state and church (cf. Albert 1986) and the development of an autonomous system of law and jurisprudence (cf. Berman 1983; Weber 1968). But nevertheless: if we find similarities on a certain level and can plausibly connect them to causal mechanisms which also help to limit arbitrariness and tame political power today, then we can

state that some forces are working in favour of a development which is similar to that in Europe. For a well-balanced judgement, though, we have to keep in mind that the result of these historical conditions in Europe was *not* the rule of law and democracy but the beginning of a developmental path *towards* the rule of law and democracy. So if we want to know the impact of these factors today, we are looking at the beginning of a story and not the happy end. However, as will be seen, the situation today reveals some special features which can probably justify an even more optimistic view.

## VI. Global Market Economy

An absolute essential precondition for the European miracle was the emergence and expansion of markets because with the institutionalization of markets the establishment of property rights began and a new economic class which was more interested in acquiring a fortune by economic exchange than by political power entered the scene and has not bowed out since.

Jones points at three important historical facts which laid the basis for the rise of markets in Europe:

1. The power to tax became more important for the rulers than the power to dispose of natural resources or manpower.
2. The superiority of markets in comparison with other economic systems became obvious.
3. Complementarities and low transportation costs promoted the development of bulk trade with utilitarian goods.

If we look at the first point, we can start with the obvious assessment that in the world today, even more than in historic Europe, power is to a large extent the power of the purse. There is no question that the needs and ambitions of political rulers today could hardly be fulfilled without considerable sums of money at their disposal. To have no access to an internationally valid currency would mean to be dependent on the goods and services and the skills and technology of an isolated economy without border crossing exchange and no chance to profit from the knowledge and achievements of the rest of the world. Only with financial assets is there a chance to participate in the blessings of civilisation, no matter whether the aim is to dispose of modern military weapons for killing or modern medical equipment for healing. Today it is practically impossible for a country of significant size to exist on some kind of barter economy, or for political rulers to be satisfied by payment in kind and personal services.

But this indisputable demand for cash does not automatically and everywhere produce the necessity of taxation in the sense of taxing economic transactions in the market place. The first important exemption is to be found in countries with large deposits of raw materials. In such countries, as for example Nigeria, despotic rulers can earn large cash revenues by directly selling the natural resources on the world market and keeping the money as their private property. The so-called “international resource privilege”, legalized by international law, allows every government – regardless of how it has come to power – to freely dispose of the country’s national resources. This reduces the pressure on the political rulers to establish an efficient economic order to provide them with the necessary revenues. In this respect countries which are dependent on natural resources today are in a much worse situation than the states in historic Europe, where the rulers were forced to acquire their fortune by promoting economic growth and securing property rights. For countries like Nigeria, Zaire or Angola the minimal requirements for a repetition of the European miracle are not given.<sup>3</sup> However, the incentives for the rulers of those states are not determined by the natural endowments of their countries alone. Without the international law which privileged them to dispose of the resources of their countries at their own discretion, their options would look quite different. I will return to this point later.

But even when the rulers of a country are not blessed with the bonanza of valuable natural resources under their control, their interest in financial assets does not inevitably lead them to establish and promote a market economy in their state. As the history of the last hundred years reveals, many political rulers and their followers thought that economic growth and enough surplus for their interests could be equally guaranteed by a socialist planned economy. In fact, they were of the opinion that socialist economies could stand the competition with capitalist countries or would even be able to beat them economically as well as politically. So until very recently the second precondition for the European triumph of the market economy had not been universally fulfilled in the modern world: namely the widespread conviction that a market system as a means of obtaining and securing revenues is better than alternative economic systems, which in the case of historic Europe meant: better than a feudal economy.

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3 International studies indeed show that there is a significant empirical correlation between endowment with natural resources and chances of democratization, cf. Lam/Wantchekon 1999.

In the last decades the relevant alternative was not between feudalism and capitalism but between socialism and capitalism. But meanwhile the outcome has nevertheless been quite similar to the situation in historic Europe: more and more the rulers of the modern world have had to realize – sometimes painfully – that a socialist economy as a source of revenues was considerably inferior to the productivity of a dynamic market economy. By sticking to socialism, countries became less and less competitive with the capitalist world, which not least meant becoming increasingly weaker in terms of military power – relevant not only externally but also to secure dominion internally. Under many socialist regimes military equipment with world standard technology could neither be developed and produced at home nor, due to financial crises, be bought from abroad in sufficient quantity. But the deficits not only concerned military goods. Eventually the shortcomings of socialism were painfully noticed by many political rulers personally when the luxury goods which they obtained for themselves and their followers could hardly come up to the luxuries normal middle-class citizens of capitalist societies could afford. Finally, the problems of a centrally planned economy in many countries became ubiquitous and unsolvable and the rulers could hardly manage to secure minimum loyalty from their citizens due to bureaucratic paralysis and permanent supply problems.

So the world has presently reached a stage characterized a little presumptuously by Francis Fukuyama as the end of history, when most people are of the conviction that a market economy is clearly superior to other forms of economic systems. Nowadays the predominant belief is indeed that a market economy is unrivalled in its potential for growth and dynamic progress. This means that today an intellectual landscape has emerged globally which, in its decisive aspects, resembles that of Jones's Europe, where, as he says, "at the point of change the market economy's full virtue had been accepted" (p. 95). Against this backdrop the personal and political ambitions of most rulers of modern states have led them to a preference for a market economy in much the same way as their European predecessors. The facts and ideas which are prevalent today support the establishment of market economies at least as strongly as the conditions and convictions in historic Europe – and this is exactly what we see as a factual development over the last two decades.

Jones, however, mentions one additional condition for the successful institutionalization of market economies which was unique in historic Europe and was directly connected with natural environmental factors. Durable and protected markets with their favourable consequences for

the taming of political power and the increase of individual freedom could only come into being if trade was primarily in utilitarian goods with low unit value. Consignments of these goods were not especially valuable and tempting to seize and, in order to extract significant yields of taxes or duties, it was necessary to secure bulk trade on a regular basis. And only then were the rulers forced to guarantee property rights and an inner pacification of their realms to secure the marketplace as a lasting institution. The basis for this constellation was given in Europe by nature: the peculiarities of European trade arose, on the one hand, from the great complementarities due to the diversities in climate, geology and soils, and, on the other hand, from tolerable transport costs because of the favourable geographic conditions which combined relatively short distances with easy manageable transport routes.

Obviously the conditions for an encompassing and voluminous trade in utilitarian goods as a basis for large and stable markets are today met globally. But what in historic times was dependent on certain natural factors which could only marginally be influenced by human effort is today the artificial result of technology and economic forces themselves. Complementarities are no longer primarily the result of natural diversity but above all the result of strategic diversification and specialization in production and of the sharp rise in the varieties of goods and services. Transport costs have been greatly reduced due to technological progress and the vast improvements of infrastructures. The “great continental land masses” which in former times inhibited regular market exchanges of mass-products and limited this kind of trade to Europe are of no significance nowadays. The revolutionary development of transportation technology – including the cheap, secure and quick transfer of information and communication – makes the whole world look like a small country in this respect. Smaller even than historic Europe.

Not only are these conditions conducive to growing economic exchange and ever-expanding markets, they also represent forces which make it more and more difficult for political rulers not to participate in the world market. The prohibitive transaction costs in former times and the natural isolation from competitive neighbours made it easy for many rulers to live quite well with a static economy and in splendid isolation. But today the dependency of political rulers on market income does not only concern their personal income. Today more than ever a state can only compete with other countries if technologically advanced products can be developed at home or bought abroad. Both options make a functioning domestic market economy indispensable in most cases. But the

benefits of markets cannot be realized if they are kept isolated. Not to take part in the international division of labour and to use the gains of complementarities and diversification means to face a comparatively low level of productivity and efficiency and a thereby politically dangerous inferiority in the unavoidable international competition. It follows for a political ruler who is dependent on a market economy that he is not only forced to secure property rights to a certain degree and to respect the interests and needs of the economic classes. He must also open his country for the international exchange of goods, services, capital and manpower. He must buy foreign products, knowledge and competence, sell his products to other countries, invest in specialized production, hire a skilled labour force and educate people abroad to acquire knowledge and competence on an international level. This could all contribute to domestic economic growth and development. But it is also pressure which a government cannot easily escape from without the threat of stagnation and economic decline.

Can we take it for granted that the favourable consequences of markets in opening a path to the rule of law and democracy also hold good for the modern world? Jones mentions two factors which were associated with the spread of markets in historic Europe and which seem to be especially salient in the development towards democratization. Firstly, the establishment of property rights; secondly, the emergence of a new class of wealthy and influential merchants, traders and entrepreneurs.

If we look at the world today, it seems obvious that both phenomena are indeed indissolubly linked to a flourishing market economy just as in former times. Without the conviction of the economic actors that property rights guarantee their possessions and secure their market transactions, no market economy worth mentioning could get off the ground. Even today that does not necessarily mean that property rights must be enforced from the start by a well ordered rule of law and a functioning system of judiciary. If we look at modern China as a prominent example of a society in transition, we can see that an approximate equivalent to legally enforced property rights could, at least to some extent, be established by bribery and informal networks between the political rulers and the economic classes (cf. Heberer 1991). This might lead to a more or less dense collaboration between politics and economics and to a common interest in the functioning of markets. One can even hope that it could become more and more attractive for the political rulers to join the economic class than to try to get rents out of their traditional political positions. Such a development, in turn, can improve the chances of establishing legally entrenched property rights in the long run.

And, of course, no political ruler who supports a market economy to maximize the state budget by tax revenues can prevent the emergence of a class of merchants and entrepreneurs. Such a class can become influential by the power of the purse but also by the power of collective and organized political action – and their interests will aim at the strengthening and extension of property rights, their predictable enforcement by an independent judicial system, an efficient bureaucracy and a participation in political power to secure collective decisions according to their needs. Just as in historic Europe such claims, if put forward successfully, will be markers on the possible way to the rule of law and democratization – even if none of the different actors who play a part in this process consciously intend to further such a development.

### **VII. A Global States System**

According to Jones the competition between the states in the European states system had the positive consequence of restraining the power of the rulers and forcing them to promote economic growth and to secure the loyalty of their subjects. We can summarize the relevant characteristics of the European states system as follows:

1. Europe was composed of a set of independent states.
2. These states were engaged in persistent peaceful and military competition and exchange.
3. A fragile balance of power prevented the supremacy of one single power or the emergence of a unified European empire.

The fact that in European history no monolithic empire was successfully built but that Europe instead became a system of approximately similar states competing with one another and maintaining a fragile balance of power, was essentially determined by the European natural environment: on the one hand, natural barriers protected several parcels of territory and induced the development of different and separated nation-states in the realm of this framework. On the other hand, there were no huge land masses between the different states so that they mutually and constantly influenced one another. The states were not separated in such a way that their internal development could be isolated from the developments in the other European states. They were separated, but not isolated. The relatively small size of a densely populated Europe promoted direct competition and regular exchange without it collapsing into one political unit.

If we look at the world we live in today, we observe that many of the special features of the European states system can be recognized as char-

acteristics of the global states system in toto. But what in those days was to a great extent a product of the natural environment is now a result of the process of civilisation and the international political development.

At first, it is obvious that from a global perspective there was never only one power but always a kind of states system. But up to the Industrial Revolution and the process of modern globalization, the concurrent existence of several states could not have the same consequences as in historic Europe. The reason being, as Jones points out, that the huge territories of some of the states and the vast land masses between them for a long time prevented contacts and exchanges with enough intensity and regularity to make the existence of other states a relevant factor in everyday domestic politics or economics. So the preconditions for a states system in which, as in Europe, each element constantly influenced the other and in which each ruler was permanently aware of the existence of competing neighbours were not fulfilled.

This situation has changed completely and now resembles worldwide the old European states system in most of the relevant aspects. That means, above all, that also the global states system meanwhile constitutes a system in which every element is in permanent peaceful or hostile exchange with each other. These mutual influences are part of everyday experience and have to be considered in each and every political decision. As in historic Europe, all rulers in the world at least in the last hundred years must be constantly concerned with the danger that they could be surpassed or threatened by a more advanced neighbour – natural barriers are no longer relevant protections against these dangers. Distances have been made irrelevant in many respects: the transportation of goods and people, the movement of military forces, the flow of capital and labour and the exchange of information is no longer prohibited by “huge land masses”. As already mentioned: the infrastructure of the world today makes this world much smaller than the European world even in the 19<sup>th</sup> century. Whereas in Europe the existence of adjacent countries was always a condition of development and change, so too in the modern and globalized world the existence of other states in the world – no matter how far away – is a decisive condition of development and change. The states today are still separated, but no longer isolated. No state in the modern world could sever its internal development from the developments in the other states: *all* states nowadays are surrounded by actual and potential competitors.

The preservation of the independence of states in the global states system is, of course, no longer determined by natural factors. Natural barriers

alone would not have been able to prevent the collapse of independent states into a dominant empire – not in Europe and not elsewhere. And as the history of the Eastern European countries during the 20<sup>th</sup> century shows, the global states system was not as a matter of course developing towards an equilibrium of a huge number of independent states. On the contrary, the indicators in this epoch were signalling quite a different tendency: namely the emergence of two competing super-powers who threatened to divide the world between them and to dominate the countries in their respective hemispheres. The decline and fall of the Soviet empire, which finally prevented this outcome, was itself already the result of modern state competition. Nevertheless, not until this empire had vanished, would it have been appropriate to certify that the global states system was exhibiting significant similarities with the historic European states system. Only now we can say that a states system exists worldwide with a significant number of sufficiently independent states to create a real competition between autonomous players who can decide important political options by themselves.

The established independence of the states today is neither a result of natural factors nor a result of international power politics alone. It is meanwhile also a result of global institutions and international law which aim explicitly at securing the independence of existing states. But, of course, those institutions and legal regulations can only be effective if there is a sufficiently strong coalition of states behind them which are willing to support the institutions and enforce the principles of international law. On that score, at an ultimate level, we again find similarities with historic Europe: in both cases the miracle of a long-lasting states system is dependent on a – more or less fragile – balance of power in which changing coalitions always secure their predominance over single states which strive to overrun neighbours or to become the dominant empire in their region.

Currently we are confronted with two possible developments which seem to threaten to undermine the existing global states system with its relatively independent players. For many people the United States, as the only remaining super-power after the fall of the Soviet Union, is on its way to becoming the dominating quasi-empire in the world. What is obviously true in regard to this fear is the fact that the United States is indeed so powerful militarily that even a coalition of most other states of the world could hardly set up an equivalent counterweight. But the danger that this fact will tempt the United States to overrun all other states in the world to create one all-encompassing empire seems to be negligible. The costs of military occupation for a country like the United States seem, in

most cases, to be much higher than the possible benefits. The prospects of creating a world hegemony by force are not very promising even if a state can dispose of invincible military means. And in regard to other aspects of global competition, the United States is still far from being the super-power which can dictate the terms to all other states.

The second possible development which may undermine the global states system is, so to speak, at the other extreme of the spectrum. It concerns the ever-growing institutions of international governance which increasingly undermine the autonomy of the nation states and, in the long run, could possibly remove the global states system in favour of a “world government” – this time not against the will of the world community but with their approval and their voluntary consent. Whether this is a real danger (or a real promise) today cannot be predicted with any certainty. But if this happened some day then it is evident that the characteristics of a states system would be eradicated too. However important the impact of such a system is on the rule of law and democracy, under a united “world government” it will no longer be effective.

Beside the still nebulous prospect of a “world-government” there is the much more realistic possibility that Europe of all regions, after hundreds of years of having a system with independent states, will in the end be united under the roof of a common governance. For many people there is much to be said in favour of such a development, because obviously in the 20<sup>th</sup> century the competitive forces between the states in Europe were no longer working for the benefit of the inhabitants. And one big difference to historic Europe is the fact that the rule of law and democracy are no longer in the mist of the future but reality. Nevertheless, it is far from clear what consequences it will have for the existing European democracies if a united Europe prevents the functioning of the competitive forces between European countries.

But let's come back to the current situation. Here our focus is on the impact of a states system on the prospects of developing a democratic structure in non- or pre-democratic countries.<sup>4</sup> And, at least for the time being, it seems to be justified to assume that we are indeed living in a global states system which, in relevant aspects, resembles the states system in historic Europe. Globally we now have a states system with a

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4 The beneficial consequences of competition between states in regard to economic development and economic policies have been emphasized by many economists, cf. Bhagwati 2002; Frey 2003; Streit/Kiwit 1999; v. Weizsäcker 2000. The influence of state-competition on democracy is explicitly discussed by Vanberg 2000.

sufficiently robust balance of power to secure the independence of the single states and to prevent domination by monolithic empires. As in Europe we find both characteristics: separateness *and* connectedness. What in Europe was possible and maintained in large parts because of certain natural factors is nowadays a result of technological progress, political history and the development of an international law system. But the consequences seem, nevertheless, to be quite similar: the political rulers in all countries must be constantly aware that they are surrounded by competitors and must take this fact into account in every one of their decisions. All states are embedded in a network of international relations and exchanges which offers significant chances for domestic development but also represents considerable restrictions to the options political rulers can sensibly choose. And because those restrictions, above all, force the governments to create favourable frameworks for a stable economic growth on the basis of market economies, they also make them guarantee more public order, fewer obstructions to business, more secure enforcement of contracts, better factor mobility and improvements of communication, education and knowledge. Conditions which, as in historic Europe, contribute to the taming of arbitrary power and provide important paving stones for a road to democracy.

### VIII. Global Unity and Mobility

The most fascinating und far-reaching similarity between historic Europe and the modern globalized world appears to be the fact that, here too, there is “unity in diversity”. But to be able to judge whether this is a platitude which only refers to some superficial phenomena – such as mobile phones and televisions – or whether it applies to common patterns on some deeper level, demands closer scrutiny.

Jones’s analysis of European “unity in diversity” can be summarized as follows:

1. Europe showed a considerable political and social diversity and fragmentation.
2. Europe also revealed significant patterns of cultural and economic unity.
3. European unity enabled personal, economic and intellectual mobility.

One main consequence of the special European unity and the accompanying mobility was the serious restraint on the rulers which forced them to consider the interests of their subjects to a larger extent than they would have done of their own free will. The question then is whether and to what extent the political rulers in today’s globalized world are in a similar situation. Is there a kind of global unity which promotes mobil-

ity on a scale significant enough to become a relevant driving factor for worldwide social and political progress?

Seen globally the diversities today are at least as clear-cut and profound as they were in European history: the world is not a “global village”, but consists of a huge number of independent states of varying sizes and entirely different levels of prosperity, their political systems range from unrestrained despotism to well established democracies, political power is – notwithstanding the super-power United States – largely decentralised, the people in the different countries are as diverse as are their languages, traditions, customs and religions, there are constantly inter-state conflicts from arguments to quarrels and bloody wars and the political rulers are not seldom hostile towards each other.

This is clearly not the whole picture today either: as in Europe there is the growing relevance of a limited number of languages as a medium of mutual understanding, the predominance of a common scientific view at least of the natural world along with the use of the same kind of technology, and, above all, a global market with an ever-increasing homogeneity in methods of production and goods. In Europe these factors were fundamental to the development of the traits of a common culture which, in turn, strengthened and facilitated economic exchange and made the remarkable high grade of mobility possible ranging from persons and ideas to goods and capital. A mutually re-enforcing and accelerating process of economic and cultural unification took place.

But is it really justified to assume that nowadays – maybe due to the influence of a global market – we share a common culture worldwide? In Europe, according to Jones, the common culture and even “a common everyday lifestyle” contributed to a situation where “no European could feel himself a complete exile in any country of the continent”. So it was a natural consequence that capital and labour flowed to the states offering the highest marginal return – whether or not the governments liked or promoted it. A regular exchange of knowledge, information and news enabled the people to keep up with the situation in other countries. Europeans were alike enough to learn by diffusion: they could see the problem-solving in their neighbouring states and could compare it with the practices at home. In this way the common culture in Europe was the indispensable basis for a credible exit-threat which forced the political rulers to use their political power with restraint and to curb their passions and their greed. Of course, this exit-threat also gained credibility by the fact that due to the short distances in Europe migration was possible by comparatively low cost for travelling and transportation.

It is clear that especially this last potential barrier to worldwide mobility today is not of significance. From the point of view of pure distance and the possibilities to overcome it, the modern world is indeed a “global village”. The crucial question is whether we can speak of a “common culture” in the same sense as in historic Europe. Is it true that we can assert today “that no man on planet earth can feel himself a complete exile in any country of the world”?

I think we first have to acknowledge that irrespective of the above-mentioned unifying aspects of common languages, common scientific and technological paradigms and a global market, we are indeed *not* living in a unified world-culture comparable to the common European culture – even less so can we observe “a common everyday lifestyle” across the societies of the world (in spite of the notorious “McDonaldisation”). One must not be a supporter of the thesis that the modern world is characterized by a clash of civilizations, to share the opinion that cultural diversity in our time is much greater worldwide than in Jones’s Europe.

But this does not mean that we have to reject the vision of “global mobility based on cultural unity” altogether. There is still a possibility of defending this view if we differentiate the meaning of the concept of “cultural unity”. Then it will become intelligible that “cultural unity” can refer to a kind of unity which is considerably different to the kind of cultural homogeneity which prevailed in Europe, but which nevertheless can still serve as a fundament for mobility and successful adaptation to the living conditions in other countries or regions. To see this possibility and to be able to assess its potential, we will start with a short look at the way economic transactions on the globalized market are processed.

Despite all diversity, it is hardly deniable that the modern world is becoming increasingly united economically due to the global market and that there are fewer and fewer spots in the world which are not part of it. And as in historic Europe the process of inclusion in a unified market has far-reaching consequences for the capacities of people to cooperate regardless of social and cultural differences. Economic transactions which transgress the borders of states and continents must overcome the obstacles of a multitude of languages, of a huge variety of conventions and habits and of largely differing social and legal norms of conduct. But in no way does that mean that these differences must be levelled altogether to start a successful economic exchange and cooperation. It only means that the actors involved must at least find a kind of meta-level on which they can communicate for example in a second language, develop a business convention to deal with different social habits and

traditions and accept some universal norms that can regulate how to deal with particular local rules. It seems clear that this demand for smooth international economic transactions is being met today worldwide with only few exceptions. It is possible to carry out economic exchange on a regular basis with practically each and every country, no matter how greatly the local cultures, traditions and social mores differ from one another. The economic actors of a globalized market have obviously developed the competence to handle the problems of cooperation between different societies with different cultures and different communal structures.

This remarkable phenomenon is paradigmatic not only of economic cooperation and exchange but of human relations in the modern world generally. From this perspective the predominant feature of globalization appears not so much a process of levelling cultural differences and diversities but of developing the ability *to deal with* cultural differences and diversities. Communication and cooperation *across* the boundaries of local communities with diverse traditions and life-styles is the decisive achievement of modernization – not only economically but in all other regards as well. Of course, as this development gives rise to a dynamic of mutual influence, no culture will be left unchanged. But changing is not the same as extinguishing, and evolution by adaptation even in the long run does not necessarily result in the disappearances of all differences.

If the observation is correct that globalization develops human capabilities to include people from different cultures and communities in cooperative relationships, then this process can be seen as tantamount to developing a kind of global “meta-culture”, an overarching “culture of cultures” which enables individuals with varying social roots to communicate, interact and cooperate with one another irrespective of their “ground-level” cultural determinants. In this respect then, it is no longer misleading if we claim that today we are indeed in the process of adopting traits of a common culture – if by this we do not mean the wiping out of local cultures. It is rather a matter of the emergence of universal cultural patterns which stay distinct from specific cultures but, nevertheless, allow the individuals to deal peacefully with different cultures on the primary level. The main factor then which prevents people from feeling like complete strangers in other countries of the world is not primarily the plain similarity between their respective cultures but their intercultural skills to deal successfully with the varieties.

If we extend the concept of a common culture in this way, we are justified in assuming that the world today resembles the picture of historic

Europe as a set of states which were united by a single market *and* a common culture. And the consequences are also quite similar: not only can we see that a common culture in the sense explained facilitates the global exchange of goods and services and the flow of labour and capital. It also makes migration possible and less of an ordeal. Obviously today there are fewer and fewer people who, in the face of suppression or poverty, are reluctant to think of emigration because they fear that they could not cope with the cultural barriers. People try to emigrate even when the differences between the local cultures are extreme, for example between Ethiopia and Germany. This does not mean that the process of cultural adaptation is always unproblematical. But it means that people are more and more confident that they have the chance to deal with the problems of cultural adaptation in some way. The growing ability in this regard is also seen if we look at cases which include a temporary change of cultures like studying or working abroad for a limited time: it is not a rare event any more that people settle down in a foreign country although their initial intention was only to stay for some months or years.

So, all in all, it seems plausible to claim that mobility in general and migration in particular are today finding favourable conditions which are globally as supportive as those in historic Europe. A common culture is developing worldwide – at least on a meta-level – which contributes not only to the efficiency of a unified market but also to the mobility of persons, who, for other reasons than business, want to change places. This development is, of course, being accelerated even more so by the global diffusion of information and knowledge. News about the political and social situation say in Indonesia today is faster and more reliable for a German citizen than information on the situation in France two hundred years ago. And it has become more and more difficult for rulers to hinder access to this kind of information. It was not purely coincidental that detailed knowledge of the living conditions in Western societies was a main reason for the erosion of the Eastern states.

The force of the exit-option in the modern world has been confirmed by recent history: the threat of emigration was one of the most pressing problems for the socialist states and they invested huge resources to prevent the mobility of their people. At the end the widespread wish to leave the country was still the decisive push for the collapse of the former GDR. In Vietnam the boat people caused a constant brain drain, which forced the rulers to change their politics considerably. On the other hand, governments which tried to join the market economies of their own accord – like in China – had to send their students to foreign countries

to create the kind of human capital needed for economic development. Many of them stayed abroad and did not start to move back until very recently, when the Chinese rulers improved the living conditions in their country significantly.

This does not prove that today as a consequence of a constant exit-threat there is automatically a compelling pressure on all political rulers to consider the interests of their citizens and to restrain from arbitrariness and despotism. There are some necessary modifications to be made. We have to recognize that there are also important restraining factors nowadays which are weakening the potential impact of mobility and migration. Unlike in historic Europe, immigrants are not at all generally welcome but are only accepted in certain quantities and with certain qualities. The freedom of movement is not universally valued any longer. Quite the contrary, especially the most advanced states in the world take rigorous measures to prevent immigration into their countries and, by this, neutralize the potentially beneficial influence of the exit-threat on despotic or autocratic rulers. It is not favourable for the process of democratization that the political leaders and citizens of democracies are only marginally motivated by the fact that the chance of migration also enhances the chances of democracy and the rule of law in non-democratic states.

Fortunately, this is not the end of the story. Because the pressure of migration today not only lies on the political rulers of the home countries, but also on the rulers and the population of the potential destinations, the democratic and prosperous countries cannot just be content with warding off potential immigrants. They have to have a vested interest in improving the situation in other countries to curb the incentive to emigrate in the first place. In this way the exit-threat still plays an important role today even if it is reduced by the high barriers to immigration.

This constellation points to a principle factor which today *ceteris paribus* improves the chances for democratization compared to the situation in historic Europe. In contrast to former Europe where the development towards democracy was only just beginning, democracies already exist nowadays and the concept of democracy and the rule of law is known to almost everybody. The citizens of non-democratic countries today are well aware of the idea of democracy and they are increasingly better informed about the living conditions in democracies. Additionally, the established democracies themselves have a vital interest that other countries also become stable democracies and they are, at least in principle, ready to use different instruments to promote that goal – one of

these instruments being international law. It could be used, for example, to deprive political rulers of the “international resource privilege” of squandering the natural wealth of their countries on the world market. Unfortunately, this measure has not yet been enforced. Nevertheless there seems to be a big difference to the situation in historic Europe in that today the ideal of democracy is known, democratic institutions have been realized successfully and a growing part of the world population actively supports the spread of democracy. In Europe there was the beginning of a development whose outcome was unknown. Today we know the outcome and we can consciously influence the process to end in this way. This is an additional opportunity the Europeans did not have – and this is possibly a reason why, despite all similarities, the European *miracle* will probably never be surpassed in human history.

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