The question of the relationship between capitalism and democracy is not new; scholars have produced a rich literature about it that includes virtually every considerable point of view. Yet the question is of more than historical interest; with the recent dramatic political and economic upheavals in Eastern Europe and the former USSR, it becomes again a question of great moment. The purpose of this paper is three-fold: first, to summarize briefly the more important, current thinking of U.S. scholars about the capitalism/democracy connection; second, to call attention to the specific economic values and fundamental assumptions about economic activity that underlie U.S. constitutionalism and reinforce democratic norms; and, finally, to consider the implication of the foregoing for the education of citizens in a market-oriented, democratic society. (DB)
THE EDUCATION OF CITIZENS IN A MARKET ECONOMY 
AND ITS RELATIONSHIP TO A FREE SOCIETY

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By Margaret Stimmann Branson

What is the relationship between a market economy and a free society, or, as others might prefer to put it, between capitalism and democracy? That question is not new. As a matter of fact, one American scholar contends that it has dominated the political theory of the last two centuries. During that time it would seem that every logically possible point of view has been advanced, rebutted and reasserted. As a result, there is a rich literature which one can consult. The question, however, is of more than historical interest. It again is a question of great moment. The dramatic political upheavals, demands for democratic governments, and economic free falls in the countries of Eastern Europe and the USSR have moved it to the forefront. And, as one might expect, recent events have rekindled interest in the question not only on the part of economists, political scientists and educators, but on the part of the attentive public as well.

The purpose of this paper is three-fold: first, to summarize briefly the more important, current thinking of American scholars about the capitalism/democracy connection; second, to call attention to the specific economic values and fundamental assumptions about economic activity which underlie American constitutionalism and reinforce democratic norms; and, finally, to consider the implications of the foregoing for the education of citizens in a market-oriented, democratic society.

THE CAPITALISM/DEMOCRACY CONNECTION

There is little argument today about whether or not there is a relationship between capitalism and democracy. Two great economists of the last generation, Max Weber and Joseph Schumpeter, detailed the linkage. Weber contended that democracy in its clearest form can occur only under capitalist industrialization and that it had its greatest opportunity in Protestant societies which emphasized individual responsibility. Schumpeter was even more emphatic. He stated flatly that history clearly confirms that modern democracy rose along with capitalism and in a causal connection with it. Modern democracy is a product of the capitalist process, and the two were mutually supportive parts of a rising modern civilization, he declared. Schumpeter, however, was careful to point out the tension between capitalism and democracy. He cautioned that the means at the disposal of private interests were often used to thwart the will of the people and to interfere with the mechanism of competitive leadership. In some instances, Schumpeter said, "political life all but resolved itself into a struggle of pressure groups and in many cases practices that failed to conform to the spirit of the democratic method." 1

Contemporary American Scholars, drawing on the work of Weber, Schumpeter, F. A. von Hayek and others, generally accept the fact that there is a capitalism/democracy nexus. Robert Dahl, the leading American democratic theorist, in the new edition (1990) of his book, After the Revolution: Authority in a Good Society, sets forth a number of historical "facts" which he contends are indisputable.

It is an historical fact that modern democratic institutions...have existed only in countries with predominantly privately owned, market-oriented economies, or capitalism, if you prefer the name. It is also a fact that all 'socialist'
countries with predominantly state-owned centrally directed economic orders - command economies - have not enjoyed democratic governments, but have in fact been ruled by authoritarian dictatorships. It is also an historical fact that some 'capitalist' countries have also been, and are, ruled by authoritarian dictatorships. 2

Few would disagree with these observations of Dahl. What American scholars do disagree about is whether the capitalism/democracy connection is positive or negative. Chief among those who contend that the valence tends to be positive are Seymour Martin Lipset, Milton and Rose Friedman, Gabriel Almond, and Peter Berger.

In an expanded and updated version (1981) of his classic work, Political Man: The Social Bases of Politics, Seymour Lipset argues that privately owned, market-oriented economies are linked with democracy, share its values and facilitate its development. He posits the following as his "explicit thesis":

The more well-to-do a nation, the greater the chances that it will sustain democracy. From Aristotle down to the present, men have argued that only in a wealthy society in which relatively few citizens lived at the level of real poverty could there be a situation in which the mass of the population intelligently participate in politics and develop the self-restraint necessary to avoid succumbing to the appeals of irresponsible demagogues. A society divided between a large impoverished mass and a small favored elite results either in oligarchy (dictatorial rule of the small upper stratum) or in tyranny (popular based dictatorship). 3

Apart from the need for a middle class in which the citizens have "a moderate and sufficient property", Lipset contends that "a stable democracy requires the manifestation of conflict or cleavage so that there will be struggle over ruling positions, challenges to parties in power, and shifts of parties in office." Concomitant with the struggle, however, there must also be consensus, he insists. "...without consensus - a political system allowing the peaceful 'play' of power, the adherence by the 'outs' to decisions made by the 'ins' - there can be no democracy." 4

Conservative economists Milton and Rose Friedman not only believe economic freedom and political freedom are necessarily linked because both are expressions of one and the same impulse of individual autonomy against the coercive power of the states. They also espouse "the fundamental proposition that freedom is one whole, that anything that reduces freedom on one part of our lives is likely to affect freedom in the other parts".

That there is an intimate connection between economics and politics is an insistent argument of the Friedmans. They contend:

Economic arrangements play a dual role in the promotion of a free society. On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom...
The kind of economic organization that provides economic freedom directly, namely competitive capitalism, also promotes political freedom, because it separates economic power from political power and in this way enables the one to offset the other. 6

Still another advantage of a market economy is that it supports political freedom of dissent. The Friedmans are persuaded that individuals and groups in a democracy are free "to advocate and propagandize openly for a radical change in the structure of society - so long as the advocacy is restricted to persuasion and does not include force or other forms of coercion. It is a mark of the political freedom of a capitalist society that men can openly advocate and work for socialism." An impersonal market separates economic activities from political views and protects people from being discriminated against in their economic activities for reasons which are irrelevant to their productivity. Further, dissenting groups have access to many private sources of money to finance their organizations and causes which make it possible for them to persuade others through use of the media, lobbying legislatures and canvassing voters.

Despite the many advantages which the Friedmans say flow from capitalism, they do acknowledge that the relationship between political and economic freedom is complex and by no means unilateral. They also concede that "history suggests only that capitalism is a necessary condition for political freedom. Clearly it is not a sufficient condition." 6

In a recent critique of capitalism and democracy, Gabriel Almond, Professor of Political Science Emeritus at Stanford University, said that he finds "the historical, the logical and the statistical evidence for this positive relation between capitalism and democracy is quite persuasive." 7 He contends that capitalism and democracy have emerged over the last couple of centuries as the dominant problem solving institutions of modern civilization, although both have had to be modified or "welfarized."

"...Without this welfare adaptation it is doubtful that capitalism would have survived, or, rather, its survival, 'un-welfarized', would have required a substantial repressive apparatus. The choice then would seem to have been between democratic welfare capitalism and repressive undemocratic capitalism. I am inclined to believe that capitalism as such thrives more with the democratic welfare adaptation than the repressive one. It is in that sense that we can argue that there is a clear positive impact of democracy on capitalism." 8

Acknowledging that he did not start out with a procapitalist bias, Peter L. Berger, University Professor at Boston University, says that "it was the sheer pressure of empirical evidence, registered in my mind over (15) years of work" that compelled him to take the positions he now holds. 9 Berger insists that modern democratic industrial society is not the capitalism pejoratively labeled by its most compelling critic, Karl Marx. Even so, Berger says, there is a "built-in difficulty for those who would defend capitalism. It is essentially the difficulty of one who would defend a (necessarily imperfect) reality against a dream of perfection. Capitalism, by its very nature, is a sober, practical, prosaic affair. It fails to inspire, even when it works efficiently and humanely." 10

What is "urgently" needed, Berger asserts, is a comprehensive theory concerning the relation between capitalism and society in the modern world. Because he is convinced that no single individual is capable of undertaking this task, Berger has put forth, "on the basis of empirical
evidence", 50 propositions or hypotheses. As hypothesis within a social-science framework they are subject to empirical testing and thus to falsification, but he believes they are viable. Propositions numbered 16 through 19 concern capitalism and democracy:

16. Capitalism is a necessary but not sufficient condition of democracy under modern conditions.

17. If a capitalist economy is subjected to increasing degrees of state control, a point (not precisely specifiable at this time) will be reached at which democratic governance becomes impossible.

18. If a socialist economy is opened up to increasing degrees of market forces a point (not precisely specifiable at this time) will be reached at which democratic governance becomes a possibility.

19. If capitalist development is successful in generating economic growth from which a sizable proportion of the population benefits, pressures toward democracy are likely to appear.ii

There are those among American scholars who dissent from the more positive views of the capitalist/democracy connection just described. One of the more pessimistic economic analyses comes from Mancur Olsen, Professor of Economics at the University of Maryland. In The Logic of Collective Action (1965) he contends that in the real world of democratic nations only certain kinds of groups are able to organize and these groups secure benefits for themselves at the expense of the general public. He returns to that theme in The Rise and Decline of Nations (1982) advancing the thesis that the behavior of individuals and businesses in stable societies inevitably leads to the formation of dense networks of collusive cartels and lobbying organizations that make economies less efficient and politics less governable. Thus, in the course of time, the propensities of democratic societies to foster special interest groups leads to the subversion of capitalism.

In the last several decades a school, or several schools, of economists and political scientists have emerged under various names: public choice theorists, rational choice theorists, or positive political theorists. Essentially these scholars, who are fiscal conservatives, share a conviction that the private economy is far more robust, efficient and perhaps equitable than other economies. They also hold that the private economy is much more successful than political processes in efficiently allocating resources. James Buchanan, winner of the 1986 Nobel Prize in Economics and leader of the Virginia "Public Choice" school, William Riker, of the Rochester "Positive Theory" school and others predict, as Mancur does, that where the Constitution fails to impose appropriate limits of government, interest groups in collusion with politicians and bureaucrats will exploit the powers of government to redistribute resources towards themselves at the expense of the general public and future generations. But they go even further. Public Choice theorists tend to regard elections as little more than the rubber-stamping of decisions made elsewhere in the system through the informal processes of interest-group formation and logrolling. They call for a deliberate restoration of the constitutional wisdom of the Founders, those who brought the constitutional government of the United States into being. The Founders, they say, put their trust not in individuals but in laws. Hence they claim that nothing less than a new constitutional settlement that restores and entrenches the "economic constitution" worked out by the classical political economists will suffice.
In March 1987 a conference in honor of Robert Dahl was held at Yale University. Generations of Dahl's students and colleagues gathered to assess the state of understanding of democracy. On that occasion, Dahl himself engaged in a revealing round-table discussion in which he tried to distill what he has come to believe over a lifetime of investigating the intersection of politics and economics. As the following excerpts from his remarks seem to indicate, Dahl stands somewhere between those who contend that the relationship between capitalism and democracy is positive and those who hold it to be negative.

"...This country and other countries with capitalist institutions have achieved a certain threshold of achievements of democratic processes. Achieving this threshold is extremely important: I value that achievement a great deal, in comparison with nondemocratic regimes elsewhere in the world. The question is whether that level of achievement can be heightened...

As you know, along with many others, I have long believed that the effect of socioeconomic inequalities in political systems, certainly in the United States, is to lead to political inequalities. While the translation of socioeconomic resources into political resources is in no sense one-for-one, it's extremely complicated, there is a kind of crude relationship between one's socioeconomic position and resources and one's life chances and capacities for exercising influence in political life. These socioeconomic inequalities are severe in the United States. There are differences that we all know about: differences in wealth, income, education, status, access to means of communication, and organizational resources...

Are there, therefore, any ways of getting at the causes, the sources of these inequalities? Ideally, again, a democratic order would exist with a socioeconomic order for democracy, a kind of self-regulating, egalitarian order. Well, such an order does not exist. As far as I know, it never has existed..."

In his final remarks at the conference, Dahl said that he agreed with many of his colleagues "that there is an exhaustion of the adequacy of theories that we have. One can only hope that a Marx or a Mill will come along... I think we have exhausted the theoretical stuff that we were bred on and grew up on. It is no longer adequate to this kind of world. We hope for the appearance of some new theory that would be more sensitive to the complexity of the world we deal with."

ECONOMIC VALUES AND ASSUMPTIONS OF THE CONSTITUTION

It is often said - and with good reason - that to understand not just particular controversies but also the most momentous issues that arise in the United States one must look to the Constitution. That is true in large part because of the singular importance which Americans attach to their Constitution. It is much more than a documentary text, a formal document ratified in 1787. The Constitution is the complex of principles, institutions, laws, practices, internalized attitudes and beliefs by which the American people have governed themselves for more than 200 years. That the Constitution is a "living document" has become a cliché; yet that characterization is essential to understanding its pervasive influence on American life. Time and again new political, social, and economic conditions and demands have compelled those who turn to the Constitution for "the rules" and for guidance to define and re-define critical sections. In the United States constitutional issues
are never permanently settled. Even so, as historian Herman Belz has observed, "Either explicitly or inferentially, constitutional morality in the United States has always insisted on fidelity to the Framers’ text as the touchstone of governmental legitimacy." Thus it can be said that the values reflected in the Constitution and some of the underlying assumptions on which it is premised can be said to shape the various political and economic conflicts that rely on its provisions for resolution.

Obviously, extended discussion of the economic values and assumptions inherent in the Constitution and how they intersect with its political values and assumptions is impossible here. A very brief summation, however, needs to be offered, even at the risk of oversimplification.

Implicit in the spare, matter of fact prose of the Constitution are embedded four specific economic values deserving of comment here. The first of these is the right to private property. It is assumed, in the Lockean tradition, to flow from the law of nature itself; it is not a concession by those governing to the governed. Along with the right to life and to liberty, the right to property is natural, unalienable and essential to meaningful existence. Government’s responsibility, its very purpose, therefore, is to protect individuals in the enjoyment of their natural rights and to secure their persons and property against infringement or violence.

A second economic value implicit in the Constitution is support for private entrepreneurial activity. That support is so obvious that one scholar has exclaimed, "If the Constitution implied a commitment to private property, it positively exuded support for private entrepreneurial activity.... The Framers sought to create an ordered, stable environment in which private economic activity (itself necessarily unstable) could take place." One way in which the Framers did that was by assuring that the new union of states would not be damaged by interstate rivalries. Another way was by vesting certain powers in the national government which would make possible "the release of energy" and the "enlargement of men’s freedom", to use the phrases made famous by the great legal historian Willard Hurst. The Constitution provides for defining the national economic interest in relations with other nations, regulating interstate trade, creating a reliable money supply, securing copyright and patent rights, enacting uniform bankruptcy statutes, granting corporate charters, disposing of public lands, taxing individual and corporate wealth, and protecting the sanctity of private contracts.

All of those measures have proved to be of importance in the economic and political life of the nation. However, former Chief Justice Warren E. Burger has singled out the Commerce Clause of the Constitution as particularly significant.

It is difficult to find words more significant than eleven key words of the Commerce Clause. Article 1 Section 8 gave Congress the power 'to regulate Commerce with foreign nations, and among the several states.... That clause created a free trade zone - a common market - that became the foundation of a private enterprise system of unprecedented potential... In its second century the Commerce Clause has been the focus of many continuing constitutional struggles. However... that Common market became the cornerstone of our private enterprise system. The freedoms created by our Constitution unleashed the energies of a whole people in a way that had never been witnessed in all history... And one need only speculate on how a common market in 1789, instead of 1992, as projected, would have affected the subsequent history of Europe. Increased trade and commerce have always improved life for both workers and proprietors.
Without those eleven key words we might have experienced the discord the European Economic Community has struggled to overcome in the more than 30 years since the framework of its common market was established. The miracle of our Commerce Clause enabled us to grow from a nation of three million people on the edge of wilderness in 1789 to a world power by the 20th century.  

A third value of especial significance which is embedded in the Constitution is the rule of law. The Framers and their successor generations have believed that no power can be exercised except in accordance with the procedures, principles and constraints contained in the law. They also have believed that any citizen can find redress against any other, however powerfully placed and against the officers of the state itself, for any act which involves a breach of the law. It is assumed, therefore, that entrepreneurial activity and the vibrant economic growth which the Constitution was intended to promote are to be controlled by law; the inherent limitations of the legal order are understood to be fundamental.

In the early years of the Republic, the pervasive constitutional predilection for capitalism was nurtured. The great John Marshall, who served for 34 years as Chief Justice and who left an indelible imprint on the nation’s history, insisted that a strong central authority was required to govern effectively. He saw no reason, however, that private capitalism should not be fully compatible with the emergence of a strong government. Thus, he sought to harmonize the interests of economic groups with the goals of the new federal structure. He realized that if those goals were to be achieved an environment hospitable to private economic activity was essential. His beliefs as well as the values and assumptions explicit and implicit in the Constitution were reflected in landmark case after landmark case. For example, three common themes were reflected in the Court’s decisions in *Fletcher v. Peck*, *Dartmouth College*, and *McCulloch v. Maryland*:

- hostility to state actions that impeded economic growth and rendered the environment less stable and thus more risky for private investment.
- national supremacy
- the establishment of the federal judiciary as the primary exponent of constitutional interpretation; business corporations as well as private educational institutions were to be protected against state interference.

Over time, however, corporations grew in number, in size, and in power. Clashes between vested property rights and public rights became more frequent. Americans, as is their wont, again turned to the Constitution and to the "unwritten constitution" - including common law traditions, statutes enacted by Congress and by state legislatures, and the state constitutions themselves (which, in effect complete the federal charter). They did so because of another value explicitly stated in the Constitution - the "general welfare" or the public good. From that value the assumption follows that individual entrepreneurial activity must be balanced against the common good, particularly when that activity infringes on the natural rights with which Americans claim to be endowed.
The United States Constitution is now more than 200 years old. It is the oldest continuing charter of government in the world. In the course of its history the Constitution has exerted enormous influence on the economic development of the nation. That influence has ranged from its tendency to encourage economic decentralization to its preference for judicial and quasi-judicial institutions as arbitrators of economic conflicts to its assumptions that law must embody "higher values" than the right of the individual entrepreneur or majority rule. The basic values and the fundamental assumptions inherent in the Constitution have not changed, however. They continue to serve as the nation's guideposts.

EDUCATION, DEMOCRACY AND MARKET ECONOMY

The prevailing weight of scholarly opinion as reported earlier in this paper, is that capitalism, or a market economy, is a necessary but not sufficient condition for democracy. It is interesting, therefore, to note that there also appears to be growing consensus that "if we cannot say that a high level of education is a sufficient condition for democracy, the available evidence suggests that it comes close to being a necessary one." A "high level of education" presupposes that all citizens in democratic societies need more than minimal education, schooling in "the three R's". They need to develop an understanding of the essential concepts and the actual functioning of constitutional governments and of market economies. The decisions which citizens in free societies are called upon to make in both their personal and political lives are replete with the ideas - and choices - of economics. A basic grounding in economics is essential, if they are to make sense of policies advocated in print and on the airwaves and if they are to make intelligent choices in polling booths. As the authors of CIVITAS, a recently (1991) published Framework for Civic Education contend, 'Economics may have been dubbed the 'dismal science,' but ignorance of economics on the part of citizens called upon to judge the ideas, criticisms, warnings, policies and proposals that swirl about them in public debate is more dismal by far. Like ignorance in general, ignorance of economics in today's world forms a prison from which citizens - if they are to be adequate judges of public discussion - must be given the tools to escape." 17

What all students in elementary and secondary schools should learn about economics and when they should learn it has been described in guidelines issued by the Joint Council on Economic Education. That organization, in 1977, brought together teams of economists, political scientists and experts in child development and learning theory to develop a Master Curriculum Guide in Economics. That Guide subsequently was revised, most recently in 1988. Since its inception, the Guide has had a profound effect on the teaching of economics in American schools from kindergarten through grade 12. The Joint Council proclaims the primary purposes of economic education are to provide individuals with the knowledge and skills they need to make personal economic decisions and to participate in the process of social decision-making. Learning to use economic reasoning can help students to:

- consider not only the short-term effects of a decision, but also its long-term effects and unintended outcomes;

- see the connection between personal self-interest and societal goals;

- understand how individual and social choices are made in the context of a mixed market economy;
analyze the impact of public policies and events upon such social goals as freedom, efficiency and equity. 19

The relationship between education in economics and for citizenship in a democratic society is readily apparent in that curriculum. But the connection is even more apparent in the curriculum guidelines recommended in CIVITAS. Acknowledging that most public issues involve persisting controversies over the allocation of scarce resources, the distribution of power among competing factions, or the affirmation of particular values, CIVITAS contends that the ultimate goal of education should be to enable students to participate competently and responsibly in the monitoring and influencing of public policy. To enhance competence, each citizen needs to develop and enlarge a frame of reference which encompasses not only conceptual understanding and an historical and contemporary perspective of economics, politics and government, but also an understanding of the role of a citizen in a democratic society. To participate responsibly, citizens need "to develop a stake in the policy process, to feel a sense of political efficacy, and to see the need to move beyond personal interests to one of shared interests....(and to) a sense of civic duty." 20

It is important, however, that too much hope for democracy and the health of a market economy is not invested solely in education. Education has always served political functions insofar as it affects, or at least is believed and intended to affect the future character of the community and the state. For that reason, and particularly in the United States, there has always been a penchant for trying to solve social, political and economic problems through education. Time and again Americans have invested millennial hopes in education only to see them fall short of realization. Americans have looked to the public schools to make good citizens and productive workers out of the children of immigrants from all over the world, to reduce racial and religious prejudices, to eliminate poverty and to strengthen the bonds of understanding and friendship with other nations. Today the nation's President and the governors of the 50 states want to use education as the primary instrument for achieving greater economic competitiveness. But, as Lawrence Cremin reminds us:

"...American economic competitiveness with Japan and other nations is to a considerable degree a function of monetary, trade, and industrial policy, and of decisions made by the President and Congress, the Federal Reserve Board, and the federal departments of the Treasury and Commerce and Labor. Therefore, to contend that problems of international competitiveness can be solved by educational reform, especially educational reform defined solely as school reform, is not merely utopian and millennialist, it is at best foolish and at worst a crass effort to direct attention away from those truly responsible for doing something about competitiveness and to lay the burden on the schools...

Education cannot take the place of politics, though it is inescapably involved in politics, and education is rarely a sufficient instrument for achieving political goals, though it is almost always a necessary condition for achieving political goals." 21

Schools, to be sure, do have significant, if not sole, responsibility for providing students with a core of basic knowledge about social, political and economic issues and for teaching them to think critically, listen with discernment and communicate honestly and effectively. Schools also bear responsibility for helping to provide students with the skills they need to function as citizens in democratic communities and in a market economy. But, in addition to those imperatives, schools have one even greater: to help each student learn how to participate with others to build a better world community.
NOTES


4. Ibid., p. 1.


6. Ibid., p. 16.

7. Ibid., p. 10.


13. Ibid., p. 166.


