

Is Global Capitalism Compatible with Democracy? Inequality, Insecurity, and Interdependence

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Global capitalism seems to be placing democracy, especially liberal democracy, under considerable stress. Support for populism has surged, especially for extreme right parties with populist and authoritarian programs. Inequality, insecurity, and interdependence—all associated with globalization—have grown globally and appear to be key sources of stress. New technologies spread readily by globalization are also a force for destabilization. Do these international forces pose existential challenges to democracy? Liberal democracy rests on a foundation of political equality among citizens; it requires free and fair elections, competition among programmatic parties, political legitimacy from public support, and institutional constraints on executive power and majority rule. Is the rise of global capitalism eroding all of these key elements? If so, what can be done about it?

El capitalismo global parece estar sometiendo a la democracia, en especial a la democracia liberal, a una tensión considerable. El apoyo al populismo ha resurgido, sobre todo para los partidos de extrema derecha con programas populistas y autoritarios. La desigualdad, la inseguridad y la interdependencia (asociadas a la globalización) han crecido a nivel mundial y parecen ser fuentes clave de tensión. Las nuevas tecnologías que se difunden fácilmente debido a la globalización también son una fuerza de desestabilización. Estas fuerzas internacionales suponen un desafío existencial para la democracia? La democracia liberal se apoya en una base de igualdad política entre los ciudadanos. Requiere elecciones libres y justas, competencia entre los partidos programáticos, legitimidad política por el apoyo de la población y límites institucionales al poder ejecutivo y al gobierno de la mayoría. El ascenso del capitalismo global está erosionando todos estos elementos clave? Si así fuera, ¿qué se puede hacer al respecto?

Le capitalisme mondial semble soumettre la démocratie, en particulier la démocratie libérale, à une tension considérable. Le soutien au populisme a fortement augmenté, en particulier pour les partis d'extrême droite aux programmes populistes et autoritaires. L'inégalité, l'insécurité et l'interdépendance, trois caractéristiques qui sont toutes associées à la mondialisation, ont augmenté dans le monde entier et apparaissent comme étant des sources majeures de tension. Les nouvelles technologies facilement répandues par la mondialisation constituent également une force de déstabilisation. Ces forces internationales présentent-elles des défis existentiels pour la démocratie? La démocratie libérale repose sur une base d'égalité politique entre les citoyens; elle nécessite des élections libres et justes, une concurrence entre les partis programmatiques, une légitimité politique issue du soutien public et des contraintes institutionnelles affectant le pouvoir exécutif et la règle de la majorité. Le capitalisme mondial croissant érode-t-il tous ces aspects clés? Si tel est le cas, qu'est-il possible de faire pour y remédier?

Introduction

Global capitalism seems to be placing democracy under considerable stress. Inequality, insecurity, and interdependence have surged globally and appear to be key sources of stress. Populist challenges, from the left as well as the right, to democratic constitutional processes have been growing around the world. Political turmoil is taking place not only in poorer countries with weakly institutionalized political systems, but also in advanced industrial countries which were thought to have stable democratic systems. This in turn is having large effects on world politics. Change and instability domestically rebound onto the international system causing profound and wrenching changes there too. As many have noted, we are witnessing upheavals in the existing global order based on multilateral neoliberalism.¹ These

challenges have all been amplified and spread further by the coronavirus pandemic. Global problems and domestic turmoil are now intermixed and reinforcing one another. The shock to both globalization and liberal democracies may be overwhelming.

Democratic political systems have been facing major challenges in the past few decades. The global financial crisis of 2008 and the slow recovery from it, worldwide migration surges, extensive globalization, and the rise of fake news via social media have all produced forces that seem to threaten liberal democracy.² Many stable political systems are facing dramatic changes including events like the 2016 U.S. presidential election of Donald Trump, Brexit, rising support for anti-system parties like France's National Front, the Five Star Movement, and the League in Italy, and the Alternative for Germany, Bolsonaro, and his extreme right party's (the Alliance for Brazil) victory in Brazil, and Modi's Hindu nationalist BJP government in India, as well as the enduring role in government of illiberal parties like Hungary's Fidesz leader Viktor Orbán, Duterte's PDP-Laban in the Philippines, and Poland's governing Law and Justice party.

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¹ See the International Organization 75th anniversary special issue (Finnemore et al. 2020) for a series of papers on the problems of the Liberal International Order.

² Will responses to the coronavirus accelerate these challenges? A key concern is with the lingering effects on privacy that tracking the virus may entail, as well as the use of executive orders and emergency powers in shutting down social interaction.

Support for populism has surged in recent years, especially for extreme right parties with authoritarian views. Using a new database of 211 populist parties in 450 legislative elections across the world, Chwieroth and Walter (2019, 18) find that support for populist parties has grown from around two percent in 1980 to 20 percent in 2005 to nearly 25 percent today, with right-wing parties' vote shares growing at nearly twice the rate of left-wing parties. These gains have been uneven across regions and among different types of populist parties; however, Rodrik (2018, 13) points out that nearly all of the increase in support for populist parties in Europe comes from the extreme right; whereas vote totals for left populist parties in Latin America have remained consistently strong. In Europe, the average vote share won by so-called authoritarian populist parties, mostly right-wing ones, in the lower house of national parliaments more than tripled from around 5.4 percent in the 1970s to close to 17 percent recently (Milner 2021). Their share of legislative seats tripled, rising above 12 percent today (Norris and Inglehart 2019, 9). So-called illiberal democracies have also grown in number, as has illiberalism over the past few decades. These systems tend to feature elections but have few of the constitutional checks or protections of individual rights that liberal democracies do. Some have claimed they are really "populist authoritarian" systems (Müller 2017). The number of liberal democracies has declined from forty-one in 2010 to thirty-two in 2020, after reaching its peak in 2014, as the V-Dem report on democracy in 2021 notes (Alizada et al. 2021).

As of 2020, democracy still prevailed in a majority of countries in the world (ninety-two countries), but no longer for a majority of the world's population, accounting for only 32 percent of the world's population now (Alizada et al. 2021, 13). However, the decline of democracy within countries continues and now affects twenty-five countries.³ Because of that, over one-third of the global population lives in countries undergoing increasing autocratization (Alizada et al. 2021, 13).⁴ Since 2011, this designation of countries in a stage of democratization has diminished by nearly half, with sixteen being the most recent estimate. "The 'third wave of autocratization' is accelerating, now engulfing 25 countries and 34% of the world population (2.6 billion)" (Alizada et al. 2021, 6).

What is the underlying source of many of these changes and challenges? I argue here that it is the interaction of liberal democracy and global capitalism. Capitalism has been around for centuries. But capitalism on the global scale we now have it—which I call globalization—is relatively unusual and new. Globalization refers to this extensive integrated international market in goods, services, capital, and labor, linking the economies of countries around the globe. As noted in the history section below, the only previous period with similar levels of globalization was in the late nineteenth century, and that did not end well. The relationship between capitalism and democracy has been a longstanding issue, and many of the themes here have been dealt with

by many other scholars, including the giants of social science like Karl Marx, Max Weber, Joseph Schumpeter, Robert Dahl, and Charles Lindblom. I add two new perspectives to this old debate: a more global one and one focused more on the current technological state we are in—i.e., the so-called digital revolution. The historical context in which globalization and liberal democracy are interacting has changed.

In this article, I first discuss how capitalism went global and what this means. This brief history serves to introduce the magnitude and implications of globalization. Then I briefly talk about democracy and what democracy, especially liberal democracy, seems to require. I touch on what defines democracy and the processes that it entails. What are the essential elements that make a democracy? Next, the focus is on the interaction of global capitalism and democracy. How do the conditions produced by globalization affect democracy and its baseline requirements? In particular, I focus on three causal pathways by which globalization might be undermining (stable) democracy. These involve rising economic inequality, personal insecurity, and global interdependence. The next section explores what can be done to try to make global capitalism more compatible with democracy. Undoing globalization may be harder than it seems; preserving democracy seems paramount, however. What can be done domestically and internationally to make the two more compatible? Finally, I end by presenting a few ideas about future research agendas to explore these topics more. We need much more research that integrates economics and politics and domestic and international factors to understand our current predicament.

Global Capitalism: How Did Capitalism Go Global?

I refer to global capitalism here as globalization. The integration of national economies into a world market has developed very extensively in the past 30 years. The main economic globalization index, the KOF one, shows globalization rising rapidly from the 1970s to 2009; after the global financial crisis, globalization plateaus and even falls in some areas a bit (Dreher 2006). The advanced industrial countries began their move toward greater openness in the 1970s and 1980s, while the developing world moved rapidly in the 1990's and 2000s. Key measures of the components of globalization—that is, international trade openness, foreign direct investment (FDI) inflows, and international migration—saw remarkable growth from 1970 until the global financial crisis in 2008. Trade openness as defined as a percentage of total exports and imports rose from about 26.5 percent of world gross domestic product (GDP) in 1970 to 59 percent in 2007. FDI net inflows also surged from less than 1 percent of world GDP in 1970 to 5.4 percent in 2007. Against this backdrop, large numbers of people moved from the developing to advanced economies during the same time period. Among the original twenty-three Organisation for Economic Co-operation and Development (OECD) members, the migrant stock rose from roughly 4.6 percent of the total OECD population in 1970 to over 10.7 percent in 2005.⁵

However, the growth in globalization has stalled since the 2008 financial crisis: international trade has remained roughly the same representing only 58.2 percent of world GDP by 2019, with developing countries being hardest hit. FDI has failed to rebound, only accounting for about 1.9 percent of world GDP in 2019. International migration, however, continues to grow in both developed and

³ These include Bangladesh, Benin, Bolivia, Botswana, Burundi, Cambodia, Comoros, Hong Kong, Hungary, India, Mali, Nicaragua, the Philippines, Serbia, Tanzania, Thailand, Turkey, Venezuela, Yemen, and Zambia, which have fallen into or remain in the category of electoral autocracy. Brazil also fell down but remains an electoral democracy. Botswana, Mauritius, Poland, and Slovenia have fallen from the designation of liberal democracy to electoral democracy. And the United States, still designated a liberal democracy, has scored lower lately as well.

⁴ The well-known POLITY score for democracies, ranging from -10 to 10, hit a peak in 2006 for the original 23 OECD countries and in 2015 for the world (Marshall and Jaggers 2005); the V-Dem score hit a peak for global democracy in 2012 (Coppedge et al. 2019).

⁵ All data from the World Bank Development Indicators, 2020.

developing economies (about 12.7 percent of the rich world is now foreign born). Globalization is now extensive but not advancing any more. Recent political changes, such as the trade wars launched by the United States, suggest it may be in retreat.

This is the second period of extensive globalization that the modern world has known. The first wave occurred from roughly 1870 to 1914. On the surface, these two periods look similar: trade, capital, migrants, and ideas surged across borders, while rapid technological change took place; however, the causes, processes, and consequences seem different (Gourevitch 1986; Baldwin and Martin 1999; Baldwin 2016). After the mid-nineteenth century, an integrated international system emerged as the European great powers, led by the British, created a more open world economy, employing their military power and economic policy. The expansion of European trade, capital, values, and political power helped by the development of colonies around the globe established this period of globalization (Boswell and Chase-Dunn 2000; Milner 2011). By the late nineteenth century, the international economy reached levels of openness that had never been seen before (Findlay and O'Rourke 2007). In some areas, such as the movement of labor, these high levels of global integration have never been achieved since then (Hatton and Williamson 2007).

During the first wave of globalization beginning around the 1870s, a truly global economy was created, as Europeans spread their influence around the world, often not benignly but through colonialism and imperialism (see, e.g., Darwin (2009)). Technological change, especially evident in the decline in transport and communication costs combined with the invention of steamships, railroads, and the telegraph, fueled the second Industrial Revolution in Europe and North America (Mokyr 1994). But this Northern industrialization led to deindustrialization in the South, especially for China and India (Buzan and Lawson 2013), as only a small number of countries benefited from the decline in transport costs (Pascali 2017). These changes enabled a boom in international trade, which also benefited from the removal of many trade barriers with the shift from mercantilist policies to freer trade in Europe. International financial markets became highly integrated as the British pound dominated global markets. Migration was also prominent, as a result of the drop in transport costs. This asymmetric structure of relations led to "differential" growth in globalization where some parts of the world—mainly the North—saw intense societal interactions and economic interdependence and others did not (Buzan and Lawson 2013). British hegemony and European dominance shaped this wave of globalization.

This integrated global economy fell apart in the early twentieth century with the two World Wars and the Great Depression (Kindleberger 1973). From 1914 to 1945, globalization unraveled as countries chose to turn inward. Protectionism became the leading policy on trade issues for many nations. Regional blocs of trade and currency flows formed, usually centered on a powerful country. Military conflict became widespread (Simmons 1994; Eichengreen 2012). Virulent nationalism, isolationism, and regionalism was a prominent feature of this timespan. Interstate wars and economic crises, nationally and globally, brought globalization to a halt and then reversed it (Gourevitch 1986). Countries emerged from World War II with closed and tattered economies. Some scholars argue that the forces associated with globalization caused its own destruction (Polanyi 1957; James 2001). Globalization unravelled as democracies around the globe also died. The economic crises and

inequality generated by this first wave of globalization did not provide support for democracy. Indeed, they probably helped hasten democratic decline in many places like Germany.

After 1945, the United States became the system leader as the British declined, and began to establish a world economy advancing its interests through the choice of an internationalist foreign policy, using international institutions, an open economic policy, and military interventions (Gilpin 1975, 1981; Maier 1977; Ruggie 1982; Strange 1987). Because of the Cold War, the global system divided into three blocs: the United States and its Western allies on one side, many developing countries in a neutral bloc, and the former Soviet Union and its communist allies on the other side. Globalization was actually limited to the West in this Cold War system (Gowa 1989). It was only after the collapse of the Soviet Union in the 1990s and the opening of China that globalization accelerated.

In the second wave, technological change, primarily in the information, communications, and transport (ITC) field, also helped propel globalization, but US dominance also shaped it. Transport costs declined greatly until about 1960, but then ITC costs plunged (Baldwin 2016). Led by the United States, domestic policy changes began in the advanced industrial countries in the 1970s, as they opened up their markets to trade and foreign investment; immigration policy was much slower to open. But international governance also mattered. The development of the European Community and the creation of the General Agreement on Tariffs and Trade (GATT) and its rounds of negotiations initiated the process of trade liberalization in the 1950s among the industrial countries. Tariff rates were reduced after the formation of the GATT in 1947 and this continued until the Uruguay Round's conclusion. The Treaty of Rome in 1958 created the world's largest customs union, and the European Union (EU) deepened and extended that openness in many other areas. Further tariff and non-tariff barrier reductions and the multinationalization of production fostered north-south trade. The development of global value chains recently has been a distinguishing characteristic of the second wave (Antràs and Chor 2013; Baldwin 2016).

Financial globalization also followed. Capital flows took longer to return to to pre-World War I levels but have done so recently (Sachs and Warner 1995). Domestic policy changes, again often led by the United States, plus new global governance institutions fostered this new wave of globalization. The Bretton Woods monetary system including the World Bank and International Monetary Fund (IMF) enabled countries to create currency convertibility and thus to eventually develop a global monetary system based on the American dollar (Cohen 1977; Eichengreen 2008; Milner 2011). Although labor flows were never liberalized as much as flows of capital and goods were, primarily due in part to legal constraints to immigration in the Western countries, greater mobility of labor did occur (Peters 2017). The expansion of the EU to many more countries and its extension to new issues also fostered globalization. By the 1980s, most of the advanced industrial countries had joined the world economy, and economic interdependence was high and growing rapidly.

After the 1980s, the rest of the world started opening their economies and joining the world economy. To what extent this opening was voluntary rather than coerced is debated. The collapse of the Soviet Union, the end of the Cold War, and the new economic opening in China all further enabled the globalization process. Beginning mostly in the 1990s, developing countries joined the world economy and its

international institutions, sometimes pressured externally and sometimes prompted by domestic imperatives to do so (Gruber 2000; Vreeland 2003; Milner and Kubota 2005). Almost all countries now belong to the IMF, the World Trade Organization (WTO), and the World Bank. Civil and political rights expanded as countries around the world adopted conventions on human rights, labor standards, environmental regulations, and other issue-areas (Simmons, Dobbin, and Garrett 2006; Freedom House 2019). Globalization, however, also brought with it crises, and ones that now traveled around the globe. Shocks, such as the 1997/1998 Asian financial crisis and the 2008 financial crisis begun in the United States, rapidly propagated on a global scale. By the first decade of the twenty-first century then, most countries had become a part of the integrated global system. The second episode of deep globalization was here, but the key question now is whether the backlash against globalization, especially in the core developed countries, is growing and once again will halt it. A further question is whether globalization has gone so far as to endanger democracy across the globe (Rodrik 2011)?

What is Essential for Democracy?

We need to think about what democracy is in order to understand how global capitalism challenges it. In addition, delineating the essential elements of democracy helps one understand the challenge that extreme right wing and populist movements pose for it. Democracy is often defined “a method of group decision making characterized by a kind of equality among the participants at an essential stage of the collective decision making” (Christian 2018). Democracy means the rule of the people. It refers to a system of governance that rests on popular sovereignty and intends to translate public preferences into policy and political outcomes. Majority rule is central to how preferences are aggregated. Pure democracy relies on the direct translation of public preferences into outcomes via majority rule in direct elections or referendums. Other forms of democracy, like representative or constitutional ones, are more indirect and rely on elites and political parties to aggregate and synthesize public preferences. These forms of democracy put limits on majority rule and often rely on unelected, independent institutions, such as courts or central banks or even international institutions, to govern and set policy.

Interestingly, some scholars consider populism to be a type of democracy and to entail a demand for a purer form of democracy.⁶ Some types of populism are seen as a demand for a return to direct democracy (Meny and Surel 2002). The challenge populists often pose to most current democracies is their dislike of representative or constitutional forms of democracy. They advocate pure popular sovereignty and majority rule, claiming that this the only way for the popular will to shape politics. Populists see representative democracy as a system dominated by oligarchic elites that deny popular sovereignty. They build on popular resentments and dissatisfaction with political institutions that do not deliver for the average voter, leaving them feeling powerless, ignored and unfairly treated. Political and economic elites in unelected institutions—domestic and international—are viewed as a central element in the democratic deficit that populists decry.

Many other scholars see populism as dangerous to democracy. As Urbinati (2019, 112) points out, “if a populist move-

ment comes to power, it can have a disfiguring impact on the institutions, rule of law, and division of powers that comprise constitutional democracy. In effect, it can stretch constitutional democracy toward its extreme borders and open the door to authoritarian solutions and even dictatorship.” Many populist parties and movements on the extreme right also combine these criticisms of liberal democracy with strong assertions of nationalism and anti-foreign sentiment, advocating protection of domestic markets from foreign goods, capital, ideas, and people. For them, “the people” refers only to natural citizens, and closure of the polity and economy often is deemed necessary to protect the nation and its true people.

Political Equality

The foundational idea behind democracy is political equality. The claim is that all citizens have equal political rights and should be treated equally by the state. Such rights involve participation in the establishment or administration of a government, including but not limited to equal treatment before the law, the right to vote and hold political office, and freedom of speech, assembly, and association.⁷ This idea of equality is, of course, nebulous: What do we mean by equality? Equal outcomes or opportunities or access? Moreover, how does this fit with representative democracy where citizens elect a small fraction of the public to represent them? Do these representatives, who are likely to be elites themselves, ensure equality or negate it? If majorities rule, how can minorities, especially persistent ones, be treated equally? In addition, most democracies have not practiced pure political equality. Restrictions on who can vote or participate in politics have long existed in many countries. Voter registration laws may consistently prevent certain classes of citizens from exercising their political rights. Moreover, some political rights may be restricted in certain times and places. Nevertheless, the expectation that citizens have equal political rights is a bedrock belief for many people in many democracies.

Non-democracies usually do not guarantee or respect such equal access to political rights. While constitutions in non-democracies often list such political rights for their citizens, in practice they do not protect them or allow equal participation and enjoyment of such rights. Non-democratic systems are usually built on hierarchies with a small elite running the government. Many political rights, especially freedom of assembly and speech as well as political contestation, are often severely restricted. As has been pointed out by scholars (see, e.g., Bollen (1990)), democracy is not a dichotomous concept; it is a continuous one and as such democracy is always a matter of degree. But there are basic requirements that make governments more and less democratic. In addition to political equality, the key ones for our discussion of democracy's relationship to globalization are noted below.

Free and Fair Elections

A second critical requirement for democracy has been free and fair elections.⁸ Democracy is after all intended to translate the people's will into governance and policy. For some

⁷See Dahl (1971) for a list of such rights and the basic requirements for a democracy to exist.

⁸Classical democracy viewed sortition (or selection by lot, or randomly), not election by voting, as central for democracy. They saw elections and voting as autocratic. So it may not be necessary for democracy to have and be defined by having competitive elections. (Manin 1997; Smith 2009).

⁶For definitions of populism and more discussion of it, see Urbinati (2019), Mudde (2017), and Müller (2016).

scholars, elections where elites can be replaced by voters are the *sine qua non* of democracy. For Schumpeter, democracy was a method for arriving at decisions, not the outcomes of the decisions themselves. For him (Schumpeter 1942, 242), a political democracy was defined as an “institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote.” Similarly, Lipset (1959, 71) defines democracy as “a political system which provides regular constitutional opportunities for changing governing officials . . . [and] permits the largest possible part of the population to influence decisions through their ability to choose among alternative contenders for political office.” For Downs (1957, 23–24) as well, democracy requires at a minimum periodic elections with majority rule with a one-person, one-vote standard. These more elite theories of democracy rely on competitive elections to bring accountability and to ensure that the people’s will determines political choices.

Competition among Programmatic Parties.

Another key element of democracy is competition for the people’s vote. This competition and the alternation in office it should create are necessary for accountability, that is, for linking the public’s preferences to political leaders’ policy decisions. Political parties are considered an essential element of this process since they aggregate preferences and propose actual government programs. These programs are often focused on the provision of public goods, rather than personal benefits. Such programmatic parties are helpful in reducing clientelism and its emphasis on private goods (Stokes 2009). They make democracy more responsive to public needs and demands by regulating political leaders as well (Stokes 1999).⁹ In addition, they can resolve fundamental problems in aggregating preferences (Aldrich 2011).

The alternative to such programmatic parties tends to be two types of systems. One is based on charismatic leaders who basically are the party. Populists often advocate such leaders so that instead of an organized party, leaders connect directly to citizens, often through a movement that is more ephemeral. Representing the people’s will, these leaders make parties and other forms of representation unnecessary, according to populist ideas. The danger for democracy here is, of course, the problem of demagoguery and the move into despotism.

A second alternative is clientelist parties. Instead of a manifesto of positions on issues, parties in such clientelist systems provide private goods for citizens in exchange for their support (Hicken 2011). The problem for democracy here is that vote buying and patronage become central; accountability is lost and elites control the public. Another issue is the problem of party cartels, or lack of competition (Kriesi 2014). That is, what happens to democracy if parties, even programmatic ones, coordinate and do not compete? How are citizens represented then? The legitimacy and responsiveness of democracy may erode as parties no longer compete but collude (Katz and Mair 1995). Competition among programmatic parties then is seen as important for realizing democracy’s goals and satisfying public preferences.

Political Legitimacy and Public Support.

Scholars tend to place great faith in institutions to deliver and secure democracy (North and Weingast 1989; Weingast 1997; Acemoglu and Robinson 2006; Dahl 1998). But others have argued that public support and trust in democratic institutions and practices are crucial (Almond and Verba 1963). Public support confers legitimacy on governments and democratic institutions, and legitimacy makes them more stable, effective, and durable (Lipset 1959; Easton 1965).¹⁰ Public trust and support for political institutions in democracies is thus important for their durability, as empirical research suggests (Claassen 2020). When publics reduce their support and lose trust, democracy can be in trouble. Leaders can appeal to the public to overturn institutions and to ignore their rules, undermining their ability to function. In many democracies today, public support and trust for many political institutions have declined. Citrin and Stoker (2018) find a precipitous fall in support for US political institutions since the 1960s, with nearly 80 percent evincing trust in the government to do what is right in 1964 to under 20 percent in 2016 saying the same.¹¹

Many other countries have experienced reductions in public support for democratic institutions and for international ones, like the EU. Foa and Mounk (2017) show that for younger generations in many advanced democracies there is no longer majority support for the view that “it is essential to live in a democracy”, and there is growing support for non-democracy with rising approval for “having a strong leader who does not have to bother with parliament or elections.” Support for non-democratic systems tends to be higher among voters who prefer right-wing parties (Wike and Fetterolf 2018). Challenges to the above essential elements of democracy can trigger such loss of support; that is, a growing sense that political equality does not hold, or that elections are not fair, or that parties are not competing over contrasting programs can bring on a loss of support for democracy. In addition, poor economic outcomes for citizens can sour their mood toward their political leaders and institutions. Wike and Fetterolf (2018) point out that the 2017 Pew survey found that people who see the the economy as performing badly have lower levels of satisfaction with democracy and less commitment to the principle of representative democracy.

Loss of legitimacy and public support can doom democracy. As Foa and Mounk (2017, 9) say, “Democracy comes to be the only game in town when an overwhelming majority of a country’s citizens embraces democratic values, reject authoritarian alternatives, and support candidates or parties that are committed to upholding the core norms and institutions of liberal democracy. By the same token, it can cease to be the only game in town when, at some later point, a sizable minority of citizens loses its belief in democratic values, becomes attracted to authoritarian alternatives, and starts voting for ‘antisystem’ parties, candidates, or movements that flout or oppose constitutive elements of liberal democracy.” Discontent with democracy and its functioning seem to be rising globally and this could spell trouble for its durability, as populist and extreme right and left parties gather momentum.

¹⁰ Political legitimacy is the “belief that existing political institutions are the most appropriate or proper ones for the society,” according to Lipset (1959, 83).

¹¹ In this case, “trusting” the government was a response of “Always” or “Most of the time” to “How much of the time do you think you can trust the government in Washington to do what is right - just about always, most of the time, or only some of the time (with ‘never’ coded if volunteered)?” Since 2008, the wording of the question has been revised, with results showing a slight decrease in trust in government, while maintaining a similar trend to the previous question.

⁹ Grillo and Prato (2020, 4–5; 19) note that “challenging democracy is a more viable strategy when citizens’ expectations about leaders’ behavior are not anchored to parties’ programmatic identities or the fact-based reporting of traditional media outlets...[T]he weakened intermediation by parties and media is a key prerequisite for populist authoritarianism.”

Other Liberal Elements: Constraints on the Executive, Rule of Law, Free Press

Some scholars consider liberal institutions an essential element of democracy (Levitsky and Ziblatt 2018). Liberalism in its political form refers to a system organized around an individualist ideology in which individual freedom is maximized as long as this doesn't infringe on other's freedoms. Liberal thought often argued for freedom from the state, claiming that some individual rights—such as freedom of speech, property, assembly, and religion—should be protected both from the state and majority rule. This freedom requires institutions that shield people from pure democracy. These institutions include the rule of law and courts, constitutions with individual rights, separation of powers, representation via legislatures, and other forms of checks on majority rule. Liberal democracy tends to imply representative government with majority rule but where key individual rights are protected against the majority and the state.

Illiberal democracy tends to have elections, which can be more or less competitive. But these systems downplay political and civil rights, rule of law, and checks on the executive. Majority rule and strong executive powers are the center of illiberal systems (Zakaria 1997). Direct democracy is supposed to be in the forefront here, as populists applaud. But it often turns out that when rights like freedom of speech and assembly and institutions like courts and legislatures are weakened, there is little political competition and one party and/or one leader dominates the system, often for years (Müller 2017). As scholars note, the erosion of democracy thus can occur through the dismantling of checks on elected leaders (Levitsky and Ziblatt 2018). Liberal institutions may be an essential component of democracy and its stability.

How do Globalization and Democracy Interact?

The delineation of these essential elements of democracy is important because it tells us where to look for problems in the relationship with capitalism. If capitalism makes achieving these elements more difficult or impossible, then the two institutions will clash. Instead of reinforcing one another, they will undermine each other. Hence, one view is that without serious restrictions on capitalism, democracy will be imperiled. On the other hand, some claim that without restrictions on democracy, capitalism could be imperiled. From Marx onward, numerous scholars have claimed that democracy has been limited in order to preserve capitalism. For Marx, the institutions of the state were built to protect capitalism; democracy was just the “dictatorship of the bourgeois” hiding behind a veil. The capitalist state was designed to protect the collective interests of the capitalist class against the working class and against the short-sighted behavior of individual capitalists; thus the state had some autonomy.¹² But for Marx and many Marxists, democracy itself was a sham set up to protect capitalism. More recently, Slobodian argues that the entire neoliberal system of international institutions set up since the 1950s has served to protect capitalism against democracy: the entire “neoliberal project focused on designing institutions—not to liberate markets but to encase them, to inoculate capitalism against the threat of democracy” (Slobodian 2018, 2). For many on the left of the political spectrum, capitalism makes democracy impure at best and impossible at worst.

For others from the right, government intervention in the economy even decided democratically can ruin capitalism and thus destroy individual freedom. Laissez-faire doctrine advocated the most limited interference of politics in the matters of the economy. Hayek (1976) among many feared that any government intervention corrupted capitalism and that only the most minimal state was desirable. “The system of private property is the most important guaranty of freedom, not only for those who own property, but scarcely less for those who do not . . . If all the means of production were vested in a single hand, . . . whoever exercises this control has complete power over us” (Hayek 1976, 103). Freedom is the highest goal, but capitalism—not democracy—brings freedom. The protection of private property was necessary for democracy in the first place.¹³ Economic conservatives such as Hayek decried government intervention in the economy and the creation of large social welfare systems. The balance between unregulated markets and government intervention has long been a central issue in politics. This balance has been changing over time, especially as globalization has spread. Global capitalism seems to have given capitalists a stronger hand relative to either labor or the state (Bates and Lien 1985). Laissez-faire and austerity have gained in prominence as labor unions have shrunk, center left parties have declined, and social welfare spending and redistribution have fallen out of favor (Blyth 2013).

Political Equality and Economic Inequality

As noted above, an essential element of democracy is the idea of political equality. All adult citizens should be treated equally by the state and should have equal political rights. What political equality means may be debated, but citizens do expect some kind of equal treatment by their government. The problem this runs into is the economic inequality generated by capitalism (Piketty 2014).

Economic inequality has increased very substantially within countries across most of the world since the 1990s (Bourguignon 2015). This rise has been especially notable in the advanced industrial countries, particularly the United States and UK. While rates of absolute poverty across the world have plummeted, one particularly contentious issue is whether globalization has fueled the rise in within-country inequalities. For example, the Gini index for income distribution in the United States has worsened steadily from 0.36 in 1970 to 0.41 in 2015 (Lahoti, Jayadev, and Reddy 2016). By 2008, the level of inequality in the United States, as measured by the share of family income for the top 10 percent, had returned to the highest levels recorded in the early twentieth century (Bourguignon 2015, 48). The middle four deciles of the income distribution in the United States saw a similar decline in income share from 1980 (0.46) to 2014 (0.40). However, growth in inequality in Europe has been less pronounced with the income share of the middle four deciles sharply dropping in the UK and more moderately decreasing in Germany and France (Blanchet, Chancel, and Gethin 2019).

While unemployment in the United States has been low, wage growth especially in the middle and low skill occupations has been very limited in the past few decades. “Since 2000, [US] weekly wages have risen 3% (in real terms) among workers in the lowest tenth of the earnings

¹² There was a long debate over the relative autonomy of the state in capitalist democracies in the 1970s and 1980s; see Nordlinger (1981), Skocpol (1979), Miliband (1969), Poulantzas (1978), and Block (1977).

¹³ Along with private property as a shield, privacy is also an important element for many conservatives. The increasing challenges to privacy from social media and digital firms may also threaten democracy. See Zuboff (2019) on surveillance capitalism.

distribution and 4.3% among the lowest quarter. But among people in the top tenth of the distribution, real wages have risen a cumulative 15.7%, . . . nearly five times the usual weekly earnings of the bottom tenth” (Desilver 2018).¹⁴ In the United States by 2010, the top 10 percent of the income distribution has received over half of all wage gains during the past 30 years, and the top 1 percent and 0.01 percent had received most of that (Bourguignon 2015, 49). In Europe, slow wage growth has been combined in many countries with high unemployment. In many of the OECD countries, the concentration of wealth, as opposed to income, is even more stark and has grown worse as well. International trade appears to have amplified inequality in developed countries by deepening the high-skill and low skill labor divide (Wood 1994; Ebenstein et al. 2013). Surprisingly, there is some evidence this is happening in the developing world as well (Harrison and Hanson 1999).

The problem is that this period of rising within country inequality corresponds to the period of globalization’s fastest growth. It looks as if, and perhaps is the case that, they are related.¹⁵ But the impression is that globalization has benefited a small elite and not the whole society or even the middle class. The majority is losing and this should not happen in a democracy. The sense that the system is rigged and only the rich benefit from openness is pervasive and growing. Anger and resentment are rising in publics as they see only a small segment of society gaining from globalization, and as everyone else becomes a relative loser (Galston 2018).¹⁶ The pervasive sense is that elites have captured the political system and opened up the economy to external forces that benefit only the rich and well connected. Inequality also seems to drive support for a main policy advocated by populist parties, that is, for protectionism, thus challenging the foundations of the liberal global order (Lü, Scheve, and Slaughter 2010).

Another issue is that any sense of political equality is hard to sustain when economic inequality is large. If the wealthy have, or are seen to have, special access to political leaders and more influence over elections because of their money, then political equality is undermined. As Przeworski says, “When groups compete for political influence, when money enters politics, economic power gets transformed into political power, and political power in turn becomes instrumental to economic power Access of money to politics is the scourge of democracy” (Przeworski 2016, 5). Research suggests that the rich do have more access and influence over politics (Bartels 2008; Gilens 2012). As the rich become richer, their influence magnifies, policy diverges more from the median voter’s preferences, and democracy seems less and less legitimate to the average citizen. If globalization is linked to rising inequality, then we may fear for democracy because research shows that democracy does not do well in conditions of high inequality (Boix 2003; Ziblatt 2008).¹⁷ Globalization may then indirectly undermine support for democracy as it enables greater economic inequality (Elkjær and Iversen 2020).

¹⁴In March 2019, real average wages in the United States finally attained the same level as they hit in February 1973: <https://www.weforum.org/agenda/2019/04/50-years-of-us-wages-in-one-chart/>.

¹⁵In addition to trade and immigration flows, the two biggest sources identified by scholars as causes of rising inequality are skill-biased technological change and government policy, including tax cuts and social benefits reductions.

¹⁶As Galbraith (1977) warned years ago concerning the negative effects of inequality: “When reforms from the top became impossible, the revolution from the bottom became inevitable.”

¹⁷Some scholars such as Scheve and Stasavage (2017) find less of a relationship between the two.

It is important to note that the Covid-19 pandemic seems to be increasing inequality as it rages in different countries. High-skill workers have maintained their jobs and avoided the virus by telecommuting. Lower skill workers who are usually paid less have been more likely to lose their jobs and get sick (Davis, Ghent, and Gregory 2021; Deaton 2021). And large firms with abundant capital have expanded as their small rivals are driven out of business by the pandemic closures (Bartik et al. 2020). Capital is being concentrated even more by this plague. It has also increased individual insecurity and reduced social capital as people cannot congregate and socialize.

Creative Destruction and Economic Insecurity

Capitalism is marked by rapid change and technological advances. As many have noted, it is a very dynamic system that incentivizes change, upgrading, and innovation. In the process, however, it destroys the old, the familiar, and the once lucrative. Schumpeter termed this essential dynamic, creative destruction (Schumpeter 1942). There is also evidence that innovations and adoption of new technologies spread in waves over time, sometimes leading to deep and rapid changes (Milner and Solstad 2021). These technological revolutions then produce side effects in social and political life. The first industrial revolution from about 1760 to 1830 saw a spurt of activity around iron and steel, coal, and steam engines (Mokyr 2009). The second industrial revolution from the 1870s to early 1900s again brought a surge in new technologies including railroads, mass assembly, automobiles, telegraph and radio, and electricity (Gordon 2017). Recently we have witnessed another technological revolution, the so-called digital revolution, and it is now having widespread effects. It is not just disruptions to labor markets that matter, but also shocks to information and communications systems, changes in social organization and disruptions of existing institutions. These rapid changes create insecurity for people who are, or believe they will be, negatively affected.¹⁸ This personal insecurity is likely to have political ramifications, especially when social protection is weak (Mughan 2007; Margalit 2011; Hacker, Rehm, and Schlesinger 2013; Rehm 2016).

Capitalism has brought forth many changes in markets, especially in labor markets over time. Old industries die and new ones emerge, but labor and capital are often slow to keep pace with these changes. Boix (2019) argues that first period of globalization in the late nineteenth century and early twentieth century was accompanied by technological change which generated more jobs than it displaced. This earlier wave of disruption was job inducing, and the new technology then was complementary to labor. The second period of globalization occurring recently is different; the new technologies are job displacing and substitute for labor. These two conditions produce very different politics. Boix (2019), however, still thinks that democracy can persist in this second period, as do others who see democracy as extremely resilient (Iversen and Soskice 2019). But many others are more pessimistic, worrying that the effects of technology now are enhancing inequality and destroying decent jobs (Baldwin 2019).

A primary example has been the rise and fall of manufacturing industries, especially in the advanced industrial countries. Industrial employment as a percentage of the

¹⁸Economic insecurity can be defined as “a psychological response to the possibility of hardship-causing economic loss.” It implies that there is a real risk that threatens people with true hardship (Hacker 2008, 20).

civilian labor force has dropped from 38.8 percent in 1970, 25 percent in 2007, and falling to 18.8 percent in 2016 among the original 23 OECD countries (Armington et al. 2019). Offshoring has been a main ingredient in this process, and more recently the development of global value chains across borders has accelerated these changes. This deindustrialization has generated much economic insecurity as higher wage-paying, blue-collar jobs have disappeared with it (Hacker 2008; Milberg and Winkler 2013).

In addition, the new jobs produced have often been inferior to the old ones lost; this inferiority concerns not just wages but also the terms of employment, which have become less secure and more temporary in the so-called gig economy. “Employment precariousness,” or the lack of a “decent job,” is another aspect of this technological revolution (Lorey 2015). “Fixed-term employment contracts, temporary work and part-time work in developed countries, and informal jobs with irregular working hours, low earnings and uncertain futures in developing countries” (Bourguignon 2015, 63), which are the telltale indicators of this precariousness, have grown greatly. “In France, employment precariousness has increased significantly over the last twenty years, from 8% in 1990 to 12% of total employment in the 2000s” (Bourguignon 2015, 63–64). Skill-biased technological change and trade with the developing world have been largely responsible, as they have helped fuel offshoring and global value chains (Michaels, Natraj, and Van Reenen 2014; Doraszelski and Jaumandreu 2018). Hence, despite the fact that unemployment in many developed countries had fallen to low levels before the pandemic, personal insecurity has been pervasive because wages and working conditions have worsened, especially for lower skilled workers.

Global capitalism produces a double dose of technological change. Capitalism itself is very disruptive, but on a global scale it accelerates this change. Research shows that few countries innovate and that most adopt innovations from elsewhere (Keller 2004). The speed of this adoption varies from country to country and over time, but globally-integrated markets make these changes more rapid and widespread (Mokyr 1994; Taylor 2016; Milner and Solstad 2021). The third technological revolution then also is different because it is probably the fastest and most wide-ranging. It has brought even more economic anxiety and insecurity than past revolutions.

The insecurity generated by capitalism has long been noted. Furthermore, capitalism on a global scale seems to amplify this insecurity since international capital and labor flows may be ever more politically destabilizing (Scheve and Slaughter 2004). Economic crises like the global financial one of 2008–2009, which often are fostered by globalization, exacerbate this insecurity as well. Indeed, the creation of social welfare states was intended to help damp down this anxiety and reduce the frictions associated with economic change and crises. Polanyi (1957) long ago noted that left exposed to unregulated markets, people would turn away from democracy and toward extreme political solutions. The risks and insecurities generated by capitalism needed to be alleviated by social protection. The idea was to “embed” markets in social and political relations by having governments intervene to provide compensation to people affected by market volatility. After World War II, markets for capital and labor flows across borders were regulated as trade was slowly liberalized, and stability and growth with redistribution were paramount for the advanced industrial democracies until the 1980s.

After World War II, embedded liberalism in the Western world was the compromise that arose to make democracy

and capitalism compatible (Ruggie 1982). As noted by Lim (2020, 67–68), “Studies of Western democratic countries have found that citizens who are exposed to the risks and uncertainties of global capitalism demand greater social protection from their government (Burgoon 2001; Cusack, Iversen, and Rehm 2006; Walter 2010; Margalit 2011). Empirical analyses also have revealed that more open economies tended to have larger public spending to compensate for and insure against the vagaries of an open economy (Garrett 1995; Rodrik 1997, 1998; Rickard 2012; Nooruddin and Rudra 2014).” Others show that technological adoption is faster and acceptance of new technologies is higher when welfare state generosity is greater (Lim 2020). Up to the 1990s, the embedded liberalism compromise seemed to be reconciling democracy and global capitalism.

Embedded liberalism, however, has come under sustained pressure as globalization has advanced. The combination of slowing or declining welfare efforts plus the growth of globalization have increased insecurity and reduced support for people facing it. Scholars have pointed to these changes as being a source of the rise of populism and the extreme right in various countries. Margalit (2011) shows that where job losses from foreign competition were high, incumbent politicians in the United States were more likely to lose and especially so if the job losses were not compensated. Autor et al. (2020) provide evidence that the trade shock from Chinese entry into the WTO led to increasing political polarization in the United States. Jensen, Quinn, and Weymouth (2017, 1) demonstrate that “increasing imports (exports) [in a region] are associated with decreasing (increasing) [US] presidential incumbent vote shares.” Colantone and Stanig (2018a,b) provide data showing that support for right-wing, nationalist and populist parties and for Brexit came from areas hardest hit by globalization, in particular trade shocks and immigration. Burgoon (2001) points out that the backlash against globalization is less in areas where social welfare provision is highest. Milner (2018, 2021), on the other hand, argues that in areas with more trade flows support for extreme right parties is stronger and that social welfare provision does not seem to temper this political backlash against globalization any longer. As globalization has proceeded and welfare states have not expanded to match this, personal insecurity has grown and its political consequences are increasingly manifest. As Rodrik (1997) noted, increasing global economic integration produces more public demands on governments for social protection while concurrently undermining their ability to supply these policies because they require considerable public expenditure, which globalization may prevent.

Insecurity can also be a product of the new information technologies today. The gig economy is in part made possible by such technologies. Surveillance technology may make people feel safer, but it may also enable governments to monitor their citizens and create new fears. While social media may enhance accountability pressures, it may also generate confusion and fake news. Many new sources of information have become easily available, often creating political and social problems. There is deep concern that new information technologies have helped disseminate populist political views. Social media in particular can undermine confidence in and the legitimacy of mainstream parties and leaders by transmitting false and damaging views of them (Tucker et al. 2017). International interference to exert political influence may also be easier to accomplish and disguise with these technologies. Creating confusion about what the facts are, disseminating fringe views as if they were

credible, and sowing doubt about the validity and legitimacy of key democratic practices like elections are all means for generating greater insecurity and boosting populist support.

Global Interdependence

Deep integration of national economies through trade, capital markets, and immigration poses direct challenges for democracy. Above, I noted the indirect ways that globalization might undermine support for democracy, first by increasing inequality and second by fostering faster technological change. But globalization may also have more direct effects. I discuss three such effects here: increasing economic policy constraints on the government; pushing convergence on economic policy choices; and creating more need for international cooperation and governance. Each of these means that governments have less control over the economy, less room for partisan competition, and less autonomy.

Globalization seems to produce three inter-related processes that might undermine support for democracy. As trade, capital, and labor flows grow in importance, governments become increasingly constrained; governments can always opt out of this but the costs of doing so rise as globalization proceeds. First, globalization can undercut the government's ability to direct the economy. The government's policy instruments become more limited and less effective. With an open economy, macroeconomic policy and exchange rate policy become more interdependent and less effective, especially for smaller economies (Frieden and Rogowski 1996; Broz and Frieden 2001). As countries joined the WTO and signed preferential trade agreements, trade policy and investment policy have become more constrained as well. Fiscal policy in an open economy also loses some of its effect as it flows across borders. While some scholars have noted that larger and more developed countries have more room to maneuver (Mosley 2003), others have noted the shrinking field of policy choice and autonomy open to countries (Rodrik 1997, 2011). Policy autonomy and efficacy matter for democracies because the public often judges governments and parties on the basis of economic outcomes (Kosmidis 2018; Duch and Stevenson 2010, 2008). When governments lose the ability to direct the economy, democratic accountability is weakened and so is its legitimacy (Hellwig 2001; Hellwig and Samuels 2007; Hellwig 2015).

A second process that might undercut democracy is the policy convergence and consensus that has grown with globalization. As governments around the world increasingly liberalized trade and opened their capital markets, policy converged and consensus grew across parties about the value of openness and to some extent deregulation as well as austerity. Differences among left and right centrist parties on their platforms diminished, and publics began to view all mainstream parties as very similar (Sen and Barry 2020; Ward et al. 2015). Globalization may force parties to converge on their economic policies, restricting parties' ability to differentiate themselves and thus to effectively compete against other parties on economic issues.¹⁹ The consensus over economic policies and globalization has left many European Social Democratic parties losing vote share and public support (Mair 2000).

This convergence has created an opening for extreme right and populist parties to generate support.²⁰ As (Mughan, Bean, and McAllister 2003, 619) points out, "By virtue of their commitment to economic internationalization, the established parties of government are blamed by populists for turning a blind eye and a deaf ear to workers' legitimate concerns for their job security in an increasingly global, competitive, and volatile labor market. Blaming it on established parties' commitment to economic globalization, in other words, right-wing populist parties have commonly sought electoral advantage by turning job insecurity into a political issue." If vigorous party competition along programmatic lines is central to democracy, then globalization may be undermining it. And lack of partisan competition among centrist parties may enable more extreme parties to gain support.

The third element is that globalization has also raised pressure on governments to coordinate their policies to eliminate externalities (Milner 1997). A more open economy implies a greater need to cooperate and coordinate with other countries. The past 30 years have seen many international regimes and institutions created to deal with global problems, all of which have constrained governments even more. The IMF, World Bank, OECD, EU, WTO, regional development banks, and many preferential trade agreements are the major examples of these multilateral economic institutions; each of which produces norms, rules, and procedures that members are expected to follow. They constrain government policy choices domestically; they appear to impose decisions from unelected international elites on the public; and they push all parties who might be in government to adopt similar policies. Many of these have generated popular dissatisfaction and resentment, being seen as undemocratic and as undermining democracy and its legitimacy at home. The EU is a prime example of this complaint about "democratic deficits"; EU decision-making is often seen as too elite- and interest group-driven, and too distant from public preferences (Follesdal and Hix 2006; Mair 2007). Brexit as a vote against international cooperation and extensive coordination is a reflection of this public perception of the EU.

The nationalist backlash that has animated populist parties recently builds off of this anxiety over and distaste toward global governance. The cosmopolitan elites that supposedly direct international institutions are seen as having made bad decisions (e.g., the financial crisis) and as holding preferences far removed from those of the average national voter. Populist leaders thus call for a return to national priorities and a rejection of global cooperation, as the quote from Marine Le Pen at the start of this article illustrates. As Mughan, Bean, and McAllister (2003, 619) points out, "the economic basis of their [populist parties'] appeal [lies] in their rejection of the postwar social democratic consensus. Taking as a starting date the end of the Second World War we can, with a nod to national variations, pick out four elements that have characterised the domestic politics of Western Europe in the ensuing four decades: social democracy, corporatism, the welfare state and Keynesianism. It is on the fertile ground of the foundering of these four pillars that the new (populist) parties have taken root." Globaliza-

¹⁹ A common theme in the literature is that this pushes parties to turn to non-economic issues—i.e., social or cultural ones—and to try to generate competition over them. This has also played into the hands of populist parties who use extreme positions on these issues to polarize the public.

²⁰ Dal Bó, et al. (2019) say in discussing the rise of the radical right in Sweden: "Our analysis suggests that the political left offers a slate of politicians skewed away from labor-market outsiders and vulnerable insiders, and skewed instead towards secure insiders. Moreover, we use survey data to show that the economic shocks diminished trust in government, of which the established left parties form part (following Algan et al. 2017). Thus, in an environment of diminished trust, disgruntled voters turn to candidates who share their economic traits and fates."

tion by making international cooperation ever more necessary thus contributes to legitimacy problems for mainstream political parties and may generate public dissatisfaction with their governments and democracy.

What Is to Be Done?

I have identified three areas where globalization and democracy may conflict and if globalization is left unchecked may lead to the erosion of democracy. What can be done about inequality, insecurity, and interdependence so that they do not hurt democracy? I briefly discuss a few ideas below, but unfortunately there are no simple solutions.

Inequality

Is economic inequality really a problem? There is some evidence that the public does not understand the extent of inequality and that they may not care that much even if they do know it (Alesina and La Ferrara 2005; Bartels 2008; McCall 2013). Some scholars think people are and should be more focused on economic growth and their personal situation rather than relative gains and interpersonal comparisons. Belief in upward social mobility and equality of opportunity as well as a focus on non-economic issues may dull any interest in fixing inequality. Preferences for equality vary greatly and may not dominate voters' other concerns.

If inequality is seen as a problem, can we fix it? One attempt to reduce inequality was tried during the post World War II period with government intervention in the economy using taxes and social transfers to redistribute income. Numerous scholars and politicians are now calling for new taxes on the wealthy (Piketty 2014; Scheve and Stasavage 2016).²¹ But in an open economy, such taxes may have limited success; only far-reaching international cooperation could make them workable. Closing the open economy is another option, but one that is very costly and will probably not reduce inequality if it is structural to capitalism (Piketty 2014; Boushey, DeLong, and Steinbaum 2017). Others doubt the efficacy of government policy and find that the only solutions have involved large-scale violence (Scheve and Stasavage 2016; Scheidel 2017). Without major war, revolution, or a devastating pandemic, they claim there is little evidence that any policy can reduce substantial inequality, especially once it has increased greatly. The problem in this condition of deep inequality becomes a political one where taking away substantial amounts from the rich becomes difficult without violence.

Insecurity

Global capitalism fosters faster technological change and this is one important factor driving insecurity among voters. How are we going to deal politically with rapid technological change and innovation? Skill-biased technological change, particularly in the form of automation and artificial intelligence (AI), is going to have increasingly large distributive effects on societies. Many occupations will disappear, and hopefully new ones will arise in their place, as in the past. But the transition is likely to be difficult and long. Calls for policies that make education less costly and enable job training and transitions are widespread, although there is less evidence that these are effective. The research on technological change points out that government policy is very important for innovation and adoption. Governments can be

a brake on or a spur to change through a wide variety of policies, such as taxes, subsidies, and anti-trust. Mazzucato (2015) even argues that governments have been the primary driver of technological progress lately. In addition, interest groups and existing firms may have strong effects as well, usually in slowing down change (Taylor 2016). Controlling the rate of technological change then is possible, and government policy may be able to shape the impact to some extent through its policies. We do not want to shut down technological progress since it may be central to solving large problems like climate change. But the key is that leaders must be aware of the possible effects and willing to intervene to enhance job and income security for their citizens. Focusing policy on reducing individual insecurity should be paramount.

Interdependence

Having an open economy creates more constraints on domestic leaders and more demand for international cooperation and coordination. In turn, these processes appear to generate dissatisfaction with incumbent governments and democracy generally. There seem to be two ways to alleviate these problems. One is to try to reduce interdependence and close the national economy. The trade wars, greater scrutiny of FDI, and immigration crackdowns of the Trump administration leaned in this direction, as the UK may also tend toward after Brexit. Can and should we decouple the world's economies? At what cost? Rodrik (2011) argues for rolling back globalization to save democracy by creating more space for national policy choices and differences. It is not clear that this will open up more space since even with limited openness in today's world competitive pressures will be felt everywhere. Indeed, race to the bottom pressures may grow stronger with more closure, as the UK after Brexit is starting to realize. Regional blocs may form, and if, as in the interwar period, these are closed and driven by political competition may result in fiercer pressures on governments.

A second way forward may be to try to make international cooperation and institutions more friendly to voters and democratic publics. Delivering greater benefits and making the public aware of them are one path. Another is to try to democratize these institutions more. The EU has tried to do this by passing more power to the European Parliament. It is not clear this has helped, however. The main problem is that global institutions are by nature very far removed from local politics and will always be seen as a distant force that sometimes institutes policies that are not preferred locally. But redesigning international institutions may be our best hope here.²²

A Research Agenda for the Future

The topics that I consider most important for future study revolve around capitalism on a global scale and democracy. In particular, they concern the three issues above. How does globalization contribute to inequality? Can we make global capitalism produce less unequal outcomes, and do we need to change it? Are there policies that would make economic outcomes less unequal? What does inequality do to politics? Is it the driving force behind polarization and populism (McCarty, Poole, and Rosenthal 2006; Sprong, Jetten, and Wang 2019)? A second topic is technological change and democratic politics. Globalization fosters rapid

²¹ See the campaign manifestos of Senator Elizabeth Warren and Bernie Sanders in the United States in 2019–2020.

²² It is likely that most international institutions will be redesigned anyway in the near future. China's rise and the US retreat are already creating conditions for the transformation of global governance.

technological change, and recently this change has been high skill-biased. This has contributed to rising inequality and insecurity. Many scholars and political leaders are now focused on how further automation and AI will affect politics. Evidence exists already that such technological change can create support for extreme right politics and populism (Gallego, Kurer, and Schöll 2019; Anelli, Colantone, and Stanig 2019; Milner 2021). Third, research should focus on how international institutions and governance are affecting domestic politics. Does more international cooperation generate less trust and legitimacy for democracy at home? How can we make sure cooperation at the global level does not undermine support for democracy domestically? As problems grow more global in scope, we must find solutions that leave people feeling better off and willing to trust in international institutions as well as domestic ones. A retreat to nationalism and unilateralism will make solving our many transnational problems, like climate change, pandemics, and terrorism, ever harder.

Conclusion

Concerns about the relationship between capitalism and democracy have long been part of scholarly debate. My claim here is that global capitalism and the new technologies of today are making the tension between them even greater than in the past. Globalization seems to heighten the impact of markets. It brings faster and more widespread technological change, more intense distributional consequences, wider financial crises, and more problems having a global scale. Capitalism has always fostered change, which has had political implications. The development of social welfare states to channel and moderate that change was important after World War II. But today the inequality, insecurity, and interdependence it is breeding are creating serious political problems for democracies. No longer is democracy seen by many as the only game in town; more autocratic forms of government are being considered, especially with successful example of China's rise. Maintaining democratic systems with constitutional checks and balances and rule of law seems paramount.

Will rolling back globalization help this? It is not clear. Economies may perform less well when closed; technological change driving inequality and insecurity is likely to continue; and national solutions to global problems are likely to be insufficient, if possible. Will public support for constitutional democracy be any stronger in such conditions? A better way forward seems to be using government and international institutions to direct technological change and reduce insecurity for individuals within their societies. As many have noted, real progress in human well-being has occurred over the past two centuries (Pinker 2011; Deaton 2013; Rosling 2018). Navigating the right balance between capitalism and democracy remains a critical task.

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