

Chapter 21 Neoliberalism collapsed democracy is alive

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In its March 7th, 2020, issue, *The Economist* wrote: “This sort of story is still common in Chicago. In its public schools 76% of students qualify for free meals because of low incomes. When classes end, many do without nutritious food. Life-expectancy can vary by as much as 15 years between neighbouring areas on the South Side. Ms Lightfoot points out that Cook County, which includes the Windy City, has the highest rate of personal bankruptcies in Illinois—often because people owe debts to the city.” This, happening in the richest country of the world, is a paradigmatic indicator of the type of society neoliberalism and the rentier-financier class coalition has produced – a society defined by huge economic inequality combined with family debts and radical insecurity.

The political crisis of rentier-financier neoliberal capitalism broke up in 2016 with the election of Donald Trump to the presidency of the US and the referendum of the Brexit. It reflected the deep failure of this form of economic liberalism in democracies in which a political compromise between capitalists, professionals and the popular classes is usually a condition for the legitimacy of the political system. Yet, in the top US and UK universities, instead of viewing the current political discontent as the outcome of the low growth rates, increased inequality, and contempt for the less educated that characterised this form of capitalism, several political scientists offered another explanation for it: “right-wing populism”. In this way, by choosing a third coupable, the indignation of the marginalised lower middle-class white workers with the generalised liberalisation and deregulation of labour, which was the main cause of them getting unemployed, was attributed to an irrational distortion of democracy, populism. Thus, the problem was political, and liberal economists, although having lost much of their credibility with the 2008 crisis, were entitled to offer their standard solution to all economic and financial problems: fiscal austerity and neoliberal reforms.

Given the depth and scope of the 2008 crisis, advanced countries have been taking corrective measures. When it became evident that the main cause of the crisis had been the irresponsible financial deregulation adopted by the US and UK (the “big bangs”, as enthusiastic financiers referred to them), countries had no alternative but to adopt a strong countercyclical fiscal policy and to promote the re-regulation of the financial system as well as a disguised, never confessed, protection mechanisms into their trade relations. They began to call back the state but continue to repeat the neoliberal economic slogans on the good of markets and the evil of the state. We learned with our political scientists that the

crisis is essentially political, and the victim are not the popular classes, but liberal democracy. They see this right-wing populism as a distortion and a threat to democracy. Yes, it is a threat to democracy but, essentially, the outcome of forty years of neoliberal policies and the culture developed to justify them, is the sign that defines the present crisis of capitalism. Norris and Inglehart, for instance, published in 2019 a book with a suggestive title, *Cultural Backlash*, but for them the backlash or the discontent is not caused by neoliberal capitalism, which is at the root of populism but absent from their argument. For them, the populist backlash in the United States and Western Europe is explained by the post-war rising prosperity, improved access to a university education and increased gender equality that represented “a silent revolution in socially liberal and post-materialist values”. But unsurprisingly, it caused a conservative reaction from the “interwar generation, non-college graduates, the working class, white Europeans, the more religious, men and residents of rural communities”.ⁱ This is an attracting idea that satisfies the neoliberal establishment, which insists in ignoring neoliberal capitalism and in seeing “liberal democracy” as a perfect substitute for it. A wonderful substitute, because they know that neoliberalism is the word that the left or the progressist use critically to name the dominant form of capitalism since the 1980s – a form that this establishment believes is good and it calls “liberal democracy”. The cause of the backlash would be the “successful” political regime, liberal democracy, but democracy is not just a political regime, but is the substitute for the present form of capitalism. And we are back to the Panglossian conservative world – liberal democracy is the best of all possible worlds. This is a natural practice, incontinent of ideology. Take, for instance, two distinguished editors of Yale University Press, in a foreword to a book they wrote:

In the young twenty-first century, liberal democracy has entered a crisis of legitimacy... The symptoms of these ailments are easy to observe: an increasing skew distribution of wealth; decay in traditional institutions, from civic associations, to labour unions to the families; a loss of trust in authority – political, religious, scientific, journalistic – and among citizens themselves; growing disillusion with progress in affecting equal justice for all; above all, perhaps, the persistent and widening polarisation between those who want increasingly open and experimental societies and those who want to conserve various traditional institutions and practices.ⁱⁱ

This is a perfect summing up of the present crisis but is not just a crisis of a political regime; it is a crisis of a social formation – of the economic, political and cultural elements that define a social formation.

Right-wing populism

The 2016 political crisis is rightly associated with the rise of right-wing populism – a phenomenon that was already present for some time in the European countries but gained a new dimension with the 2016 election of Donald Trump to the presidency of the US and the Brexit in the UK. These populist leaders are right-wing ethnic and economic nationalists who are in office in Poland and Hungary and present in all the rich world. Their main common characteristic is to reject immigrants for economic and identity reasons. They are not against democracy because their power originates in the people, but they are a threat to the democracies that are not well consolidated. They are populist

because they intend to speak on behalf of the people. They are conservative because they defend the interests of the rich, reject the rights of women to their own bodies and to equal remuneration, reject the rights of negroes, indigenous and the LGBTI people. They are against neoliberalism because their main claim is that they have an alternative to global neoliberalism – to end with globalisation, which is a false solution. They represent a great problem for the social democratic political parties, because their discourse against immigration captures the white workers of the lower middle class who are the big losers of globalisation, those whose wages stagnated or even have fallen in real terms. The social democratic parties have a moral problem because it is difficult for them to adopt the policies against the poor immigrants and political refugees that their electors demand. No solution exists for this problem other than a political compromise that does not fully block immigration but won't leave the borders entirely open. The populist discourse, which in the past only made sense to the limited group of conservative fundamentalists who exist in any society, gained a wider audience when it made sense to the lower middle-class workers who feel threatened by radical trade liberalisation that make their jobs disappear and by immigrants who work for a lesser pay.

Populists are against some fundamental conquests of democracy. For instance, although women are still discriminated, they experienced advances; the attitude towards abortion changed; and homosexuals and transsexuals won some freedom and respect. Neoliberals accepted without much resistance the behavioural changes relative to women, abortion, identities, LGBTIs, but remained conservative in economic terms. This is what let Nancy Fraser (2017) to make the critique of “progressive neoliberalism” – the neoliberalism of the good and beautiful, of Hillary and Bill Clinton, of *The Economist* and high finance, a market fundamentalism with dismal economic and social consequences, but open to economic and social innovation. But these advances were the outcome of democracy, not of “liberal democracy”. Populists are critical of the rise of inequality, which was not consequence of democracy but of the neoliberalism (or “liberal democracy”), which has been ruthless against the popular classes and the poor. From the start, neoliberalism's greater goal has been to reduce direct and indirect wages.

In the same way that many books on the “end of democracy” came out in recent years, countless books on populism were published as well, among which the one by Norris and Inglehart, and *National Populism – The Revolt against Liberal Democracy*, by Roger Eatwell and Mathew Goodwin's, are the most relevant.ⁱⁱⁱ In the latter book, right-wing populism was a reaction against two shocks, the Great recession and the large increase in refugee immigrants into advanced countries. The Great Recession that followed in the wake of the 2008 crisis was the crisis of rentier-financier neoliberal capitalism. Their analysis is interesting because the authors insist on rejecting the criticism that this populism is either fascist or racist. For them, “[t]he factors that have paved the way for national populism are deeply rooted in the structure of nations. They are based on the contradictions between the functioning of democracy at the national level and the growing global economic market, a long and entrenched tradition of distrust of the elite towards the masses, a latent and quite widespread nationalist sentiment and the weakening of the long relationship between citizens and parties.”^{iv} Not all of these problems are exclusive to neoliberalism, but they

became deeper in its framework. It is unreasonable to expect the Americans harmed by the United States' radical economic openness to China to not listen to populist candidates promising to change this policy.

How does one face this threat? For the recent discussants of the end or death of democracy, Steven Levitsky and David Ziblatt, Yascha Mounk and David Runciman, populism is an accidental distortion of liberal democracy.⁹ Therefore, one must defend economic liberalism, showcase its unsurpassable virtues... One must also reduce inequality by making taxes progressive again, building more housing and increasing productivity. And Mounk is concerned with quasi-stagnation, but when it comes to increasing productivity or economic development, he recognises that the means to achieve this "is far less clear". (p. 227) Obviously, criticising the radical economic liberalism that has taken over the rich world lies beyond his cognitive horizon. Like other progressives, he wants to turn the United States into a social democracy like Europe's but does not grasp that the social democracy of the Golden Years of capitalism was, on the economic plane, developmental rather than liberal; marked by moderate, but effective, intervention in the economy's non-competitive sectors, and by an effort to manage the five macroeconomic prices, instead of inflation alone. Norris and Inglehart have no solutions to offer because the problem is neither economic nor political, but cultural. It lies in conservative unacceptance of the elites' "social liberalism". Przeworski is more realistic. He does not believe that it is enough to attack "populism"; the word "populism" only gained usage in the late 19th century, but before that, given the difference between the ruled and their rulers, the economic elites that identified with the rulers always found ways to demean popular politicians and thereby demean the people itself.

I am unhappy by the way the neoliberal establishment has been using the concept of political populism. There is a right-wing populism that currently haunts the West, but this establishment will not let go left-wing populism; the populism of a Bernie Sanders, for example, who is often mentioned in the works I am referring to. Now, Bernie Sanders never said in his political campaigns that he was speaking on behalf of the "people", nor did he lay the blame for every national problem on the doorstep of "politicians" or "foreigners" – populism's defining characteristics. Therefore, I cannot help but wonder that the neoliberal establishment in crisis routinely abuses the word "populism". Everything that is not "liberal" nor "conservative", that is not part of the worldview of the economists from Chicago and Harvard, from Oxford and Cambridge, is populist and bad. Capitalism is by definition an unjust form of economic organisation, is a culture of exacerbated individualism justified by the glorification of competition – an equally unjust competition which was not preceded by making equal the playing field. But it has benefited from three ideologies: socialism, nationalism, and republicanism which moderated liberal individualism. The fact is that modern societies cannot be legitimised just by individualism and competition; republican responsibility, the priority of social obligations over rights, the defence of equality, and the identification with a nation have moderated classical liberalism. And often, for instance in the foundation of the US, liberalism and republicanism were together. Neoliberalism was a radical break with these sound political practices. Was an arrogant affirmation of an only truth that orthodox economics proved mathematically. It involved a basic disrespect of the common people. It makes no sense to see the indignant reaction

of the losers of globalisation as mere populism. They have good reasons to protest. Their outcry has found no support in Europe's left or right parties, nor in the US, either in Republican or the Democrat Party. Only extreme-right nationalist parties have their backs; only they struggle against globalisation. It is hard to imagine how the problem may be resolved without modern social democracy revising its stance and offering a more severe critique of economic liberalism.

In contemporary capitalism, social democracy and the left are in crisis since the collapse of Soviet Union. Now, after forty years of power, is the right that is in deep crisis. The left and the social-democratic centre-left in the West knew well the "communist" societies were not socialist but *statist* societies where the dominant and ruling class was the managerial class, but nevertheless they turned perplexed facing the breakdown of the only existing alternative to capitalism. As China and sometime later Russia made their transition to capitalism, the socialist ideal, the value of solidarity and the ethos of republican responsibility whose role was to tame naked capitalism lost influence and exacerbate neoliberal individualism took hold of the neoliberal democracies. But since the 2008 crisis, the globalisation project and rentiers' and financiers' capitalism were already in economic crisis, relatively debilitated, so that it was not an entire surprise when in 2016, with the election of Donald Trump and the Brexit, the establishment and the right that support it faced a legitimation crisis. The "end of ideology" tenet as well as the insistent contention that the difference between left and right was overcome are pure ideology. The simple affirmation that any political problem can and should be technically resolved is nonsense. As Gramsci early realised in the first part of the twentieth century, in modern societies the use of straight force to back political power ceased to be efficient. Since mid-twentieth century, economic elites acquire and maintain political power by achieving ideological hegemony. The ruling classes learned that and have been investing heavily in the media, in the social networks, and in coopting intellectuals by financing conservative and neoliberal think-tanks to achieve ideological hegemony. Today, when rentier-financier neoliberal capitalism and the neoliberal ideology face an economic and political legitimation crisis, I ask myself why and how capitalism development has undergone such a profound regression, how personal interest and competition could be transformed into universal laws that only favoured the strongest and most successful – the owners of greater capital and greater knowledge, how universities accepted a supposedly scientific hypothetical-deductive economic theory, which served only as a "scientific" justification for neoliberalism. How, after all, has the world conformed to a cynical or amoral perspective of politics, which the theory of public choice and neoliberalism adopted by taking as its basic assumption the identification of public officials with rent-seeking or corruption? There is no simple answers to these questions, but I hope that this book throws some light on them.

Democracy is alive!

Donald Trump eventually was not re-elected, but even if he had the thesis that democracy is dying in developed countries cannot be accepted. Democracy was a popular conquest in these countries that the elites have accepted about a century ago; they are consolidated democracies. In these countries, as well as in

middle-income countries like Brazil that have completed their capitalist revolutions and have some democratic experience, democracy is the name of the game. Right-wing populists like Trump and Bolsonaro may threaten it, but the probability of them managing to retain power in an authoritarian way is minimal. The thesis does apply to countries like Hungary, Poland and Turkey, where elections persist, but authoritarian rulers have been undermining civil rights and the voting process. It is, however, a misguided thesis that shifts attention from the main problem that the democracies face – the neoliberal form of capitalist economic organisation. I understand many Americans’ non-conformism and perplexity before the election of someone so incapable, violent and evil, as I myself cannot come to terms with the election in my own country of someone even more unacceptable from a civilised perspective, but this is not to say that we confuse “liberal democracy” with rentier-financier neoliberal capitalism. Only countries in deep crisis could elect candidates like Trump and Bolsonaro, but my point is that these crises are not mainly political, but rather economic and social. The crisis currently surrounding us is due not to the failure of democratic political institutions, but to the fact that economic social and political institutions as a whole, the social organisation that I have termed financier-rentier or rentier-financier neoliberal capitalism, have failed to produce wealth, stability, security and protection of nature. A failure with direct consequences on the political level. It was not democracy that failed, but the neoliberal form that capitalism has taken since 1980 and is now in terminal crisis.

Democracy is certainly facing problems in countries where it is consolidated, particularly in the United States, where it has been deteriorating since the 1980s, and in Brazil, where the deterioration is more recent, but massive.^{vi} When a democracy’s equality decreases, it becomes an easier target for a neo-fascist minority and right-wing populist groups, but it is not hard to see the resistance of Americans and Brazilians against their rulers’ authoritarianism. No new historical facts have emerged under rentier-financier neoliberal capitalism capable of leading either the popular classes or the economic elites to prefer an authoritarian regime. The relevant new historical fact took place forty years ago: it was the shift from managers’ social-developmental capitalism to rentier-financier neoliberal capitalism, the rise of this historical form of capitalism that is not just conservative, but aggressive, destabilising and destructive, one that has been making citizens dissatisfied, insecure and anxious.

Capitalism involves the construction of two basic institutions – the modern state and the national market. A state that moved to democracy as the economy developed and the bourgeoisie got the assurance of the rule of law, while the popular side achieved universal suffrage, in this way, emerging the first democracies in the turn of the nineteenth to the twentieth century; a market, which was originally national but soon gained an international dimension. A difficult construction, which initially involved state intervention and wars aiming to expand the territory of the nation-states being formed, thus expanding the domestic markets – a condition for the industrialisation of the country. A relatively successful construction that after World War II allowed advanced countries were able to reduce inequality, improve economic stability and achieve reasonable growth rates. In the 1970s, however, new problems surfaced – in particular the competition from developing countries that began to export manufactured goods – which demanded changes and adaptations. And we saw

the rise of rentiers' and financiers' capitalism and the substitution of the narrow neoliberal class coalition for the broad Fordist class coalition and the Golden Years of Capitalism.

Right-wing populism is on the rise not only in advanced countries but also in middle-income ones like Turkey, Hungary, Poland and Brazil, where the anti-democratic spirit may be deadly to democracy. Why, however, does this populism emerge? Not from democracy itself, but from the perverse and inefficient form of capitalism that liberal economic elites imposed on their own countries and on other dependent countries. Merely denouncing populism is fruitless; understanding it as a consequence of the failure of neoliberalism, however, may be enlightening. The failure to improve the living standards and provide added security to the entire population; the failure of the economic organisation of capitalism, characterised by high financial instability, reduced growth, and brutally increased economic inequality.

A belief has become commonplace among influential Anglo-Saxon political scientists. Despite the absence of space for coups d'état, liberal democracy in advanced countries would undergo a gradual erosion process and is experiencing a backslide that will ultimately lead to its death. To substantiate this thesis, they look to the rest of the world and see other right-wing populist leaders rising to power through the vote, thus undermining the democratic regime. They do not take into account the fact that these countries are at far earlier stages of development than advanced countries and conclude that this is the *novel* way that democracies deemed consolidated until recently, experience erosion and will come to an end. The narrative has an enemy and a victim: the enemy is populism – right-wing populist leaders and political institutions so far insufficiently outlined –, the victim is liberal democracy. Why the motivation for this right-wing populism exists not only in the United States, but in Europe as well? I believe that it is a reaction, a backlash, against the “Neoliberal Turn” that led to the replacement of the Golden Years with the Neoliberal Years of capitalism. Advocates of the thesis of the end of democracy ignore neoliberalism and the Neoliberal Turn, look for a politico-institutional explanation that will not stand, and assume that a handful of political reforms and less “austere” economic policies will cure the ills that have taken over the West. They have trouble regarding the greater social organisation – capitalism – as a historical reality that comprehends the political regime, and only see liberal democracy, which thereby ceases to be what it is to become the form of organisation of capitalism itself.

Historically, liberal democracy was the earliest form of modern democracy, materialising at the turn of the 19th into the 20th century, when to the civil rights was added the political right to vote for all – universal suffrage. Enforcement of social rights and more elaborate forms of social accountability and political participation as seen today in Europe's more advanced democracies were still absent. Liberal democracy emerged in the framework of an industrial entrepreneurs' capitalism that was, in that historical moment – the Second Industrial Revolution and the rise of major private-sector corporations –, changing to a capitalism of managers or professionals. It emerged as a liberal democracy as advocated by liberal ideologues, who sought to limit the power of voters as much as possible. After that, not new historical fact took place to justify the possible failure of the political regime at hand. The same cannot be said of neoliberalism – a reactionary and authoritarian phase of capitalism that

represented a major step back from the post-war Golden Years. Therefore, it is not democracy that is in crisis, but capitalism. There is no speaking of the end of democracy because, despite its limitations, it was a conquest of humankind.^{vii} One can, however, speak of a terminal crisis of neoliberalism, as this has been the second time that economic liberalism proved unable to organise capitalism; the first was in 1929, and the second in 2008.

The central problem that the West faces is how to define a new historical form of capitalism based on a renewed economics, like Keynes did in the 1930s, and on a democratic, social and environmental political philosophy. The political aspect of the crisis of neoliberalism has been highlighted by two facts that took place in 2016 – the election of Donald Trump in the United States and the Brexit referendum in the United Kingdom –, but what is at stake is not the end of democracy, but the overcoming of neoliberalism, which, not coincidentally, first became dominant in these two countries when Margaret Thatcher and Ronald Reagan were elected. An overcoming not by right-wing populism, but by a democratic and social developmentalism.

The consolidation of democracy

I start from a general assumption – that capitalism is a form of social organisation that develops in phases, each corresponding to a peculiar social formation. This is what every social scientist has learned from Marx and many more thinkers that regarded capitalism in historical terms. These phases can be seen in many ways, and they are more easily understood in reference to three countries – the United Kingdom, France and Belgium – that experienced all of them. The timeline that I have been using starts from the 16th to the 18th century, a capitalism of merchants within the framework of mercantilism; then, in the 19th century, a capitalism of industrial entrepreneurs within the framework of economic liberalism; third, in the 20th century, a capitalism of managers within the framework of monopolistic capitalism; and, finally, since 1980, a financier-rentier capitalism within the framework of neoliberalism. On the political level, the two earliest phases were authoritarian. The former because it guaranteed neither the rule of law nor universal suffrage, and the second because it did not guarantee universal suffrage. The latter two are democratic, characterised by representative democracy or, as it is more frequently called, liberal democracy – a contradiction because one must bear in mind that throughout the entire 19th century, liberals rejected democracy under the argument that it implied a “dictatorship of the majority”. The crux of the matter in the crisis at hand is not democracy, but rentier-financier neoliberal capitalism. To speak of eroding democracy without mentioning neoliberalism is to shift the gaze from what matters the most. Democracy progressed in advanced countries, reaching its acme in the post-war period, the Golden Years of capitalism, and then, as neoliberalism advanced, democracy lost strength. Colin Crouch wrote, in 2004, that it became a “post-democracy” insofar as elections were still held, but “the mass of citizens plays a passive, acquiescent, apathetic role”.^{viii} It would be more accurate to say, however, that it became a “proper liberal democracy” – a neoliberal democracy similar to the first, Schumpeterian, democracy of the early 20th century.^{ix} A low-quality democracy in a regressive form of capitalism; a consolidated democracy because it represents a compromise between the citizenry and the elites – citizens who lowered their expectations; the bourgeoisie

and managerial elites which end up satisfied because they continue to appropriate the economic surplus based only on the markets and their ideological hegemony; satisfied but concerned because this surplus grows very slowly and because of the citizens' increasing dissatisfaction with politicians who represent rather the interests of the elites than their interests.

The second assumption concerns the democratic consolidation problem – a topic that caught the attention of political scientists after the third democratisation wave, beginning in the mid-1970s.^x Linz and Stepan state that “by ‘consolidated democracy’ we mean a political regime wherein democracy, as a complex system of institutions, rules, and patterned incentives and disincentives has become, in a phrase, ‘the only game in town’.”^{xi} Many young democracies, such as Spain's, or Brazil's, were born consolidated, whereas others took place in underdeveloped countries that had not yet made their industrial and capitalist revolutions. In these cases, where democracy was usually installed due to outside pressures, it remains unsteady. In a frequently cited work, Seymour Lipset (1959) showed that a strong correlation exists between a country's level of development and it being a democracy or not. This finding was confirmed by many subsequent studies, but, as Rueschemeyer, Huber and Stephens pointed out in their excellent book, *Capitalist Development & Democracy* (1992), a broad survey of the literature on the relationship between economic development and capitalism, no satisfactory explanation exists for the problem, which remained a “black box”.

In the first draft of my paper “Democratic Transition, Consolidation and capitalist revolution”, written in 2002 but only published in 2011, I believe that I had found a structural explanation for democratic consolidation. My question was: why did democracy only become the preferred and consolidated political regime in the 20th century? And my historical-structural answer was that democracy was impossible under the production modes that preceded capitalism, where the ruling classes' appropriation of economic surplus took place through direct control of the State. With the formation of the nation-state and the industrial revolution, which first took place in the United Kingdom in the early 19th century, thereby completing the “capitalist revolution”, the appropriation of economic surplus could take place in the market, through the exchange of “equivalent” values, which enabled the bourgeoisie to earn profits independently from the State. It has become enough for the State to guarantee property and enforce contracts. However, the bourgeoisie, which supported enforcing civil rights and the rule of law, continued to veto democracy fearing that universal suffrage (the second element of the minimal concept of democracy) would lead to the election of socialist parties that would expropriate its wealth. Over time, as socialist parties never implemented socialism when they rose to power, as the bourgeoisie controlled the media and could finance politicians and make them dependent, and as long as a series of constitutional clauses placed limits on the power of the Legislative and Executive branches, the bourgeoisie and the liberal ideologues lost their fear of universal suffrage, suspended their veto against democracy, and the democratic transition was completed. The capitalist class was therefore the first ruling social class to lift its veto against democracy because it not depended on State violence to become and remain wealthy. Then a second argument emerged for the capitalist class to support democracy. Unlike previous ruling classes, which were little more than oligarchies, the capitalist

class is very large and requires institutional mechanisms for its members to pursue political power. Democracy proved to be this institutional mechanism and in many countries we saw a liberal party and a conservative party, both of which strictly bourgeois, alternating in the seat of power.

The political history of more advanced countries shows how solid democracy is in the countries that have completed their capitalist revolution. Countries that have not yet met this condition may become democratic due to pressures from more powerful countries, or institutional copycatting. But democracy is always unstable in these countries. In advanced countries, however, democracy proves itself capable of surviving notwithstanding crises of several kinds. The exception that always comes up is Germany under Hitler, but this is not a true exception because the first democratic experience in Germany, the Weimar Republic, was rather a permanent crisis experience within the framework of resentment over defeat at war. Aside from the obvious fact that democracy didn't die in any developed country that has become democratic, empirical evidence of the structural democratic consolidation thesis can be found in the great research that Adam Przeworski and associates conducted for their book *Democracy and Development*.^{xii} In this study of democracy, which involved researching changes of political regime in 141 countries in 1950-1990, the authors concluded that, once democracy has come to characterise a developed country, it will stand for an undetermined period of time. Or, as I heard Przeworski say more than once at conferences, "when a country is already democratic and had per capita income over US\$ 6,000 in 1990, the odds of it going back to authoritarianism are nil". Now, a country with this level of income per inhabitant, which, given US inflation, would equal US\$ 12,220 today, will certainly have already completed its capitalist revolution and its democracy will therefore be consolidated, unless it is an oil or diamonds exporting country. In a more recent work, Przeworski finds a new datum to confirm this thesis. In a study of political regimes until 2014, he found that the average per-capita income of countries whose democracy survived before 2008 was US\$ 18,012, where in the countries where democracy collapsed, the average was just US\$ 5,770.^{xiii}

Another way of looking at the consolidation of democracy in advanced countries is to use the historical democracy analysis method developed by Charles Tilly in his 2007 book, *Democracy*, where this remarkable sociologist and political scientist defines democracy not in discrete terms as the majority of political scientists, but gradually "a regime is democratic to the degree that political relations between the state and its citizens feature broad, equal, protected and mutually binding consultation".^{xiv}(58) When democratisation occurs, this consultation increases and becomes more binding, and the reverse occurs in the presence of de-democratisation. The democratisation process involves changes in three areas: networks of trust, the categorical nature of inequality, and autonomous power centres. *Networks of trust* among citizens involve a large and ranging number of interpersonal relationships through which they define values, resources, successes, or failures. Categorical inequality is defined by the boundaries between broad groups of persons who experience widely different life opportunities due to gender, race, ethnicity, nationality, and religion. Equalisation processes depend directly on the reduction of this categorical difference. Finally, non-state *autonomous power centres* include interpersonal relations and involve defending or changing resources distribution.

Processes and changes take place in these three areas slowly and non-linearly. Dialectically, I might say. It is not overnight that networks of trust form, categorical differences are reduced, and the influence of autonomous centres is made reasonably transparent and limited. To develop these concepts, Tilly performed a lengthy study of the history of democracy and, in particular, of democracy in France and the “astonishing” Switzerland. He found that democratisation processes, to which he dispenses far greater attention than to the de-democratisation process, are lengthy processes. There is a chance of de-democratisation: “if rich states dismantle the redistributive and equalising arrangements that have grown up within democratic capitalism and rich people disconnect their trust networks from public politics by such means as gated communities and private schooling, we should expect those measures to de-democratise their regimes” (p. 204). Of course. But because building networks of trust was slow and difficult, dismantling them will be just as slow, and it is hard to believe that minimally rational societies would do such a thing. Processes such as the ones Tilly describes have been taking place in the United States, but they are not sustained.

In a specific study of the problem of democratic consolidation, Milan Svobik (2008) distinguished consolidated democracies from merely surviving ones, which he called “transitional democracies”. The variables that tell if a democracy is consolidated are a country’s level of economic development, its growth rate, whether its regime is presidential or parliamentary, and the kind of authoritarian experience it has had. The richer a country, the more consolidated its democracy. The level of economic development is the key variable. The researcher added two institutional variables to it: presidential countries and countries that have been ruled by military regimes are more likely to collapse than parliamentary ones and those that did not experience military regimes. These variables, however, are only relevant in the case of transitional democracies. More recently, Iversen and Soskice (2019: 258), who recognise the resilience of consolidated democracies, offered as an explanation for this fact that “democracy prospers under advanced capitalism because the middle classes are rewarded with education, good jobs and upwards mobility”. It is a view of capitalism that Przeworski introduced when, in *Capitalism and Social Democracy*, he showed that it was rational for workers facing rising employment and wages to reject socialism. This is not to say that class struggle has been abolished but helps to explain not only why there has been no socialist revolution, but also why democracies in advanced countries have lasted for more than one hundred years. And renders absurd the thesis of the gradual death of democracy that includes advanced democracies and compares them with the political regimes of countries at far less advanced stages of development that have not had historical democratic experiences.

Democratic institutions or organisation of production?

Democracy is consolidated, but it seems clear that things are not well in the West, even leaving aside the Covid-19 pandemic. They are not well on the political level, where we see traditional conservative parties supporting right-wing populist leaders and these leaders being elected, notwithstanding their irrational behaviour. They are not well on the economic level, where only the United States continues to grow – albeit modestly – while the remainder of the

West has been all but stagnant since 2008; where a “secular stagnation” emerges, defined by very low interest rates and extensive currency issuance from advanced countries, which still fail to encourage companies to invest; where the interest rates are satisfactory for large companies, but likewise fail to encourage investment because they exist due not to sustained demand, but from a relentless process of mergers and acquisitions intended to build monopolies and widen profit margins.

The issue is telling where the problem lies. The explanation offered by hegemonic Western thinking is that it is a crisis of liberal democracy and that its cause is right-wing populism. I argue that this is not a crisis of democracy disfigured by populism because populism is but another principal political symptom of the crisis. The crisis that capitalism is currently facing is not a political regime crisis, but a crisis of the form that capitalism has taken since 1980 – the liberal and financier-rentier form –, and that its cause is the inability of neoliberalism to organise capitalism in a reasonably efficient, stable and less unfair way. I make this statement having in mind the rich West and middle-income countries like Brazil, who are similarly riding the wave of neoliberalism and enduring the consequences of this. I exclude East Asian and Southeast Asian countries, whose States, notwithstanding the concessions that they have had to make before the new Imperial truth, remained essentially developmental and have been growing at a faster pace than the West. I mainly exclude China, which has already become the country with the world’s largest GDP as measured by purchasing power parity, and now competes on equal footing with the United States – something unimaginable even ten years ago. As a consequence of this essentially misguided path that the West has taken, which reduced the State’s economic role and demanded results from the market that it cannot produce, the world’s economic centre of gravity is shifting from the North Atlantic to the East. Within this framework of competition between the United States and China, where the challenger, China, remains under authoritarian rule but sports a developmental form of economic organisation that is more efficient, the advocates of democracy and civil rights in the West are forced to hear from Chinese rulers their increasingly more ambitious discourse on “the superiority of the Chinese solution”, now also in the political sphere.

The rentier-financier neoliberal capitalism crisis is not merely an economic crisis; it is also political, social, and environmental. Therefore, if capitalism is in crisis, its respective democratic regime cannot be living its best days. It is under threat. Yet the solution to face this threat lies not in reforming political institutions, but in revising the main institutions that organise contemporary capitalism – particularly how the State intervenes in the economic system. To evaluate these two alternatives we must ask ourselves why institutions have deteriorated. Were these developments due to the way the rich world related with the rest of the world? Is it the new competition that Asian countries pose? Is it the number of immigrants and political exiles attempting to enter advanced countries and the reaction of White workers? Or political problems? Did they emerge in institutions like representative democracy, universal suffrage, the presidential or parliamentary regimes, the majority district voting or closed ballot voting?^{xv} Political parties? Was it because of changes in the tax system, in welfare state funding, in labour laws? Was it the product of changes in the cultural system, in particular the advance of the possessive individualism that

Macpherson (1962) discussed?^{xvi} Or, at the level of society, was is the main issue the loss of social cohesiveness? Or is the economic problem structural, a fruit of the rising capital-output ratio and loss of productivity of capital, so that the rate of profit is only guaranteed through wage repression, extending credit to households above their payment capacity, and the increasing monopolistic power of large corporations that gradually widen their profit margins? At the economic policy level, did it cease to make sure that the macroeconomic prices were at the right place? Did the interest rate drop too low? Have governments lost their determination to control capital flows? Or to make public savings to fund public investment?

In other words, we find that capitalism now faces a deep crisis, one that I have been attempting to discuss in its many aspects through new-developmental economics. A crisis that the political analysis of the gradual death of democracy, reeling from the 2016 election as President of the United States of a political leader who is not merely a right-wing populist, but a character that contradicts everything we have learned to deem civilised and dignified in modern societies, have seen as merely a political crisis, when it is far more than this.

The gradual death thesis

Let us now briefly see what the thesis of the gradual death of democracy has to say. I will begin with the book *How Democracies Die* (2018), by distinguished Harvard University political scientists Levitsky and Ziblatt. The authors begin by confirming the connection between their book and Trump. Before his election, they write, we would never imagine that American democracy might be in danger, but “American politicians now treat their rivals as enemies, intimidate the free press, and threaten to reject the results of elections”.^{xvii} Still in the introduction, they show their concern with a bigger problem, the American society’s loss of cohesiveness – but then turn to the political system: “if one thing is clear from studying breakdowns throughout history, it’s that extreme polarisation can kill democracies”.^{xviii} Is the American democracy then under threat of a military coup and a dictator’s rise to power? No, this is not what they fear. What they fear is politicians who, once having been elected, prove themselves authoritarian and, little by little, subvert democracy, ultimately killing it. They bring history to confirm their concerns: Mussolini, in Italy; Hitler, in Germany; Alberto Fujimori, in Peru. Or, in the present day, Recep Erdogan in Turkey, Nicolás Maduro in Venezuela, Viktor Orban in Hungary. They conclude: “By capturing the referees, buying off or enfeebling opponents, and rewriting the rules of the game, elected leaders can establish a decisive – and permanent – advantage over their opponents”.^{xix} Why does democracy die? To answer this question, the authors focus on the United States and on a strictly political matter. They state that, in their country, political parties and their experienced leaders have always been the guardians of democracy. First the politicians, and then the parties, within the institutional framework of the Electoral College, selected reasonable candidates in a prudent manner. Primaries put an end to this system, particularly since 1972, when they became binding and, as a result, political parties “substantially loosened their leaders’ grip over the candidate selection process”.^{xx}

Levitsky and Ziblatt's arguments are doubly unconvincing. First, in connection with the "evidence" they provide of the gradual death of democracy in advanced countries. What connection is there between Trump's rise to power and Mussolini's and Hitler's? They are completely different historical experiences. When the two dictators rose to power, Italy had not democratic experience yet, and Germany's experience was minimal. Both countries were unaccepting of the fact that, due to their late industrialisation, they were unable to conquer as many colonies as the United Kingdom and France, and resentful of their recent defeat in the First World War. The same question now applies to present-day rulers like Erdogan, Orban and Putin, who rule countries with no democratic experience, in a lagged state of development compared with advanced countries, whose rulers are not dictators in the strict sense, but strong willed and authoritarian, embracing policies at the border separating democracy from authoritarianism, and that adopt an economic nationalism that the United States finds unacceptable. It is therefore reasonable that democracy is not consolidated there. On the other hand, the American democratic experience is lengthy and rich, as is that of another great Western country that has been taken over by right-wing populism – the United Kingdom.

A second book, also published in 2018, also penned by a Harvard professor, Yascha Mounk, discusses the crisis of liberal democracy based on the rise to power of a right-wing populist in the United States. He writes:

Citizens have long been disillusioned with politics; now, they have grown restless, angry, even disdainful... [t]here can no longer be any doubt that we are going through a populist moment. The question now is whether this populist moment will turn into a populist age—and cast the very survival of liberal democracy in doubt.” (p. 2)

The problem, then, is populism taking over America. But not populism alone: for him, democracy is undergoing a process of “deconsolidation”.^{xxi} In the United States, in the 1930s and the 1950s respectively 71 and 57 percent of Americans liked living in a democracy, versus a mere 29 percent in the 1980s. Americans' interest in politics saw an even sharper drop. Confidence in the US Congress dropped from 40 percent in the 1970s to 7 percent in 2014; today, two-thirds of American citizens believe it is important to live in a democracy, by only one-third of Millennials (those born approximately between 1980 and 1990) share this opinion. Mounk says that “Liberal democracy is all things to all people: a promise to the masses to let them call the shots; a promise to minorities to protect their rights from an oppressive majority; and a promise to economic elites that they will be allowed to keep their riches” (p. 54). This is far too much for a political regime to promise. And an impossibility within the framework of rentier-financier neoliberal capitalism. Political liberalism has always been opposed to democracy, and only accepted it when it became clear that capitalists would not face expropriation. On the other hand, as a form of capitalist economic organisation, economic liberalisation is inferior to developmentalism. Mounk, however, is less ambitious. It would be enough to take steps to fix the economy: more progressive taxes; more affordable housing; returning to an increasing rate of productivity, which has been stagnant since the 1980s; recovering the meaning of work as a source of identity. ??(chap. 8)?? We have seen that Linz and Stepan wrote that a democracy consolidates when it becomes “the only game in town”. Mounk concludes, in a pessimistic tone: “The evidence is highly

concerning: In many countries around the world, from the United States to Great Britain, and from Sweden to Australia, democracy no longer appears to be the only game in town". (p. 123)

Let us now look at David Runciman's book, whose title is also suggestive: *How Democracy Ends*. It was also published in 2018 and the author is a Cambridge University Professor. The ideas in it are similar, although not as pessimistic, and it was also written under the impact of Trump's election. "American democracy is neither cowed nor inattentive enough to allow him to stay in office beyond 2025. And he is very unlikely to last that long"^{xxii} Runciman recognises that old and stable democracies exist, and points out that "Strong democracies are relatively immune to a frontal assault because their institutions are resilient. As a result, the assault on stable democracies comes from the sides". (p. 66) And, unlike coups d'état in weak democracies, the outcome of the assault is unclear. "There is no before and after. There is only the murky space between". (p. 67) Thus, although the book's title promises to tell how democracies end, we end up not knowing. All we learn is that "democracy isn't functioning well – if it were there would be no populist backlash". (p. 80). Sure, Mounk and Runciman did not forget about the populism that Levitsky and Ziblatt dismissed. But the authors of all three books toed the Academia's line and were stuck to their areas of expertise, looking for causes in political institutions where there are none to be found.

Finally, the latest book by Adam Przeworski, *The Crisis of Democracy* (2019), in which he also shows a concern for American democracy, also speaks of a gradual erosion of democracy in other countries, less developed, like Turkey, Poland and Hungary, provides an excellent summary of data showing the loss of popular support for democracy, and surveys the discussion of the topic. Przeworski argues that democracy is being undermined "by stealth", but concludes with a rejection of the notion that democracy may be dying and that this is the main problem:

I do not think that the very survival of democracy is at stake in most countries, but I do not see what would get us out of the current discontent. It will not be alleviated by contingent political events, the results of future elections. This crisis is not just political; it has deep roots in the economy and in society. (p. 206)

Agreed. I would just specify that this crisis, with its "roots in the economy and in society", is a crisis of social formation itself, the crisis of neo-liberal capitalism. For Przeworski, the causes of the generalised dissatisfaction with democracy and politicians lies in facts inherent to democracy: the fact that voters lack a lot of choices in the elections, that the proposals of the political parties and candidates with winning odds are relatively similar, that when someone votes they feel how ineffective their vote is amongst so many others, that the policies embraced by the administration and, in broader terms, by the State are not those with which we agree, even if our candidate won the latest elections. This is why Przeworski regards dissatisfaction with democracy as a recurring and inevitable process. Yet these "general features of democracy" fail to explain the present popularity of the populist "anti-elites", "anti-establishment", "anti-system" rhetoric, or the inherently elitist nature of the liberal democracy embraced by the founding fathers of the United States, for whom the role of the

elections “was to ratify the superiority of those entitled to govern by their social and economic position.” (p. 200).

Summing up, the 1991 collapse of statism in the Soviet Union and the crisis of the left worldwide explain why economic liberalism was deemed victorious and, more in the United States than in Europe, democracy was once again insistently called “liberal democracy”. The victors failed to realise that what they defeated with the collapse of the Soviet Union, as well as what China abandoned in 1978, was not socialism, which was impossible, but statism, which was inefficient. Liberal democracy is not the “best” form of democracy, but a minimalistic form of democracy compatible with a minimal state and rentier-financier neoliberal capitalism. Liberal democracy is not the people’s desired democracy, but that of a financial-renter neoliberal elite and a conservative middle class that in the past rejected democracy by rejecting universal suffrage, and currently rejects the improvement of the quality of democracy by attempting to limit as much as possible the powers of the government and the autonomy of politicians. In the United States, where the economic elites “buy” politicians by funding their campaigns – because no public campaign financing exists there –, this democracy often fades into plutocracy.; it does not completely fade because public-minded citizens organise popular funding for progressive candidates like Barack Obama.

Voters often seem disinterested in politics but they are now more demanding in advanced countries than they were a century ago; They know what economic and social progress was like and have become disappointed in politicians who submitted to the neoliberal economists and economic elites. Their dissatisfaction manifests against liberal democracy; they cannot show non-conformism with neoliberalism because this concept is not one of those that the establishment admits to, that the media broadcasts, and that political surveys poll; therefore, they are not part of the popular repertoire.

The crisis of capitalism does not have an economic dimension alone, but also political and ideological dimensions. What lies at stake is not just democracy and, therefore, it is a mistake to speak of the death of democracy. What is at stake is far more. It is near-zero per-capita income growth, stagnant and low wages since the 1980s, the return of the economic instability that had been overcome in the Golden Years of capitalism, the continued increase in economic inequality since then, the rising monopolistic power of large corporations through mergers and acquisitions, a lack of demand to encourage companies to invest. What lies at stake is domination by a narrow financier-rentier and managerial coalition that has taken the place of the comprehensive Fordist coalition. It is the people who find themselves stuck in an open melee, a competition of all against all that makes them deeply insecure. It is this ruthless world of winners and losers where the losers are not just the poor, but also the lower middle class of white workers who, anguished and unaccepting, blame immigration for their ills, failing to realise that right-wing parties attacked their jobs and direct and indirect compensation just as aggressively as the economic liberalism in crisis. It is this boundless individualism that political liberalism has become ever since it ceased to be moderated by both popular socialism and republicanism. What lies at stake is all of this put together.

Within this framework, where individualism, the wealth of the few and the poverty of the many rule, rich societies have become heterogeneous, identities gained relevance, and the shadow of ethnic nationalism reemerged to jeopardise tolerance and democracy. This laid bare two facts, one economic, the other political. No society can be healthy if it is too unequal, if it lacks a reasonable degree of commitment from a significant number of citizens to solidarity and public interest; if it lacks a living dialectic of social and republican values, and self-interest. Within the framework of individualistic liberalism, moral values and the principles of social coexistence lost relevance; citizens, civil servants and politicians emerged as individuals who only care about their own interests; the potential for solidary and republican citizens and politicians has been removed. They still exist, however, and, within the framework of capitalist competition, realise that they must stand for the weakest, those who are unable to compete. They do exist and are key to the construction of a good society. A modern society that fails to face the problem of inequality and lacks republican-minded citizens and politicians is on its way to becoming barbaric.

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- ⁱ Norris and Inglehart (2019: 15-16).
- ⁱⁱ Hunter and Owen (2019: vii-viii).
- ⁱⁱⁱ See Judis (2016); Finchelstein (2019); Monedero (2017).
- ^{iv} Eatwell and Goodwin (2018: 270).
- ^v Levitsky and Ziblatt (2018); Mounk (2018); Runciman (2018).
- ^{vi} In his book (2019: 12), Leonardo Avritzer, perhaps the sharpest analyst of Brazilian democracy, writes that “we see in Brazil an ongoing process of institutional degradation not unlike the one that Levitsky and Ziblatt discuss”. True, but the point is whether or not Brazilian democracy is strong enough to face this threat.
- ^{vii} Therborn (1977); Przeworski (1985 chap. 1).
- ^{viii} Crouch (2004: 4).
- ^{ix} ^S Schumpeter (1942).
- ^x See Linz and Stepan (1996), Schedler (1998).
- ^{xi} Linz and Stepan (1997: 15).
- ^{xii} ^PPrzeworski, Alvarez, Cheibub and Limongi (2000).
- ^{xiii} ^PPrzeworski (2019: 34).
- ^{xiv} Tilly (2007: 58).
- ^{xv} Naturally disregarding the monstrosity that is the Brazilian system of open-list proportional voting.
- ^{xvi} Macpherson (1962).
- ^{xvii} Levitsky and Ziblatt (2018: 13).
- ^{xviii} Ibid, p. 20.
- ^{xix} Ibid, p. 94.
- ^{xx} Ibid, p. 57.
- ^{xxi} Mounk (2018).
- ^{xxii} Runciman (2018: 228)