

Top Economist Warns: Capitalism Is in Serious “Existential Crisis”

Review of Martin Wolf's book, "The crisis of democratic capitalism," Penguin, London, 2023, 496 pages.

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When a leading economist of the establishment declares that capitalism is going through a severe crisis, the situation is grave and so is the scare. Below you can read about a razor-sharp analysis of how the world is doing.

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Martin Wolf (1946) is one of the world's most authoritative economists. He has worked at the World Bank in the past. Today he is chief economics commentator of the influential *Financial Times* newspaper and a Forum Fellow of the World Economic Forum, which brings together the world's top elite.

In [his early days](#), Wolf was an ardent neoliberal, but after the great financial crisis of 2008, he radically changed his mind and became one of the most influential advocates of Keynesianism. This is an economic doctrine which argues that the market should be regulated and that the state has an important role to play in the functioning of the economy.

Existential Crisis

Unsurprisingly, Martin Wolf is a fierce defender of capitalism. According to him, there is “no credible system for organizing production and exchange in a complex modern economy”.

But that system is in crisis. It is a serious, indeed existential, crisis. The current state of affairs is “deeply worrying” and “restoring health to the Western system is among our biggest challenges”. That is why he wrote his latest book, *The Crisis of Democratic Capitalism*. With his opus magnum, he wants to contribute to saving this system.

According to him, the crisis is unfolding on two fronts. Today the political system that he calls “democracy”, is challenged by authoritarian alternatives. Here he is referring to Turkey, Poland, Hungary, Russia, Brazil under Bolsonaro, India and especially the US under Trump, among others.

The economic system, that he calls “market capitalism,” is being challenged by state-led alternatives. Here he mainly thinks of China.

The situation has become more acute due to “the financial crisis, the poor quality of subsequent political leadership and the inadequate response of many Western democracies to COVID-19”.

Both market capitalism and liberal democracy are sick and the balance between them is

also broken. The neoliberalism of the past forty years has led to “economic failures: slow growth, rising inequality, loss of good jobs”.

In addition, and partly as a result of neoliberalism, we are dealing with a “mild but protracted democratic recession”. There is widespread dissatisfaction, not so much with specific parties or governments, “but rather with democratic regimes themselves”.

There is the bleak observation that a fifth of the world’s population lives in a country “where less than a quarter of the citizens are satisfied with their democracy”. And this is unfortunately not only the case in the poorest countries, but also in the prosperous western countries.

Worldwide, “trust in democratic institutions, the global market economy, and political and economic elites has faded”. “The legitimacy of any system always depends on performance.” Hence, because of its “success”, today China is “the most credible alternative to democratic capitalism”.

Capitalism therefore faces very serious challenges. Wolf compares the current crisis situation to that of the first half of the twentieth century: “we see fundamental shifts in global power”, there were massive crises (Spanish flu, hyperinflation, world wars, the Great Depression) and the “collapse of democracies and the rise of authoritarianism”.

On top of that, today we are faced with “the risks of nuclear war and runaway climate change”.

According to this top economist, this is “a moment of great fear and faint hope. We must recognize the danger and fight now if we are to turn hope into reality. If we fail, the light of political and personal freedom might once again disappear from the world.” His book wants to be a contribution to that fight.

Bankruptcy of Neoliberalism

According to Martin Wolf, the economic course of the past forty years has created a real mess.

Economy

First on the economic front. Austerity and taxation in favor of the wealthy have increased inequality, which in turn has a negative impact on growth[1]. Moreover, all high-income countries have seen a sharp fall in productivity and a process of deindustrialization, resulting in a loss of “relatively highly paid and secure jobs for less-educated men”.

The global economy faced macroeconomic instability. In one country there were large savings surpluses while in another there were serious current account deficits. “Excess debt” arose as a result of “earlier efforts to manage in the context of structurally deficient demand”.

Liberalization and deregulation led multinationals to look for the cheapest tax rates. This created “a race to the bottom on corporate tax rates”. In addition, there were many “tax loopholes”, which allowed multinationals to happily evade taxes.

All this costs rich countries about 1 per cent of GDP annually. These piles of capital are

mostly parked in tax havens. Wolf cites a study indicating that 10 per cent of global manufacturing is held offshore. That is a huge amount.

We also witnessed the rise of “rentier capitalism” over the past 40 years, characterized by an explosion of global financial transactions and speculation. “Finance ceased to be a handmaiden of the firm and turned into its mistress”, he said. This “financialization” of the economy “wastes both human and real resources”. This financialization “also led directly to the financial crises of 2007-2012”.

Politics

The consequences of the neoliberal course are also very detrimental on a political level. The *internationalization* of the economy puts pressure on democratic politics, which is organized *nationally*.

Wolf agrees with Jan Zielonka who “condemns the transformation of democracy into technocracy, with ever greater powers delegated to ‘non-majoritarian bodies – central banks, constitutional courts, regulatory agencies.” The European Union is a good example of this.

As a result, large parts of policy are withdrawn from democratic debate. “The more the economic development disrupts that national identity, the more fraught politics, and so economics, too, will become, and the harder it becomes to maintain the relationship between market capitalism and democracy.”

The area where elected representatives still wield decision-making power has become increasingly smaller. As a result, citizens feel that they are no longer masters of their political fates. And that is not a reassuring conclusion.

Social

The biggest mess is at the social level. Neoliberalism has created a veritable gulf between rich and poor, and it is widening. Wolf refers to a 2022 study by the OECD, the club of rich countries, which states that income inequality is at its highest level for the past half century. In addition, “Uncertainty and fears of social decline and exclusion have reached the middle class in many societies”.

In addition, working conditions are very insecure and poor. Perhaps a quarter of the adult population belongs to the ‘precariat’: “a status that offers no sense of secure occupational identity and few, if any, entitlements”. Partly due to the waning influence of the trade unions, this “cast much of the old, relatively well-paid and predominantly male working class adrift, with huge political consequences”.

Wolf speaks in this context of ‘status anxiety’, the fear of falling down to the bottom of the social hierarchy. This mainly occurs among those who are not at the very bottom of the social ladder. “In Western countries, ‘white’ people with relatively modest levels of education feel threatened by racial minorities and immigrants, and men ... feel threatened by the rising status of women.”

Financial Crisis and Pandemic

This economic, political and social malaise that had been building up in previous decades,

was exacerbated by the financial crisis and the pandemic.

The financial crisis and austerity policies that followed were very negative for real incomes, employment and the government budget. This crisis also shook trust in the wisdom and probity of those running the financial and political world.

“The executives who drove their banks (and the world economy) into the ground, before the global financial crisis, mostly walked off with large fortunes, while tens of millions of innocent people’s lives were ruined and governments were forced to provide huge bailouts.” Only one banker has been jailed in the US and none in most other countries.

The pandemic came on top of that and amplified the many problems inherent to the financial crisis. The disease also caused fierce political conflicts. The climate of fear, anxiety and stress increased support for political extremism. “When frightened and insecure, humans go angrily tribal. It is as simple – and as dangerous – as that.”

Populism on the Rise

The ruins left behind by neoliberalism undermine democracy: “The greater the inequality, insecurity, feeling of abandonment, fear of unmanageable change, and sense of injustice, the more vulnerable to collapse the fragile balance that makes democratic capitalism work will become.”

Partly because of “the failure of orthodox politics to deliver stable prosperity to the bulk of the population over a long period”, political extremes are gaining momentum. People are hostile to the elites, including the politicians, and according to Wolf, that hostility may frequently well be justified.

Such a situation leads to a penchant for populist and autocratic leaders. “If a large portion of the public has withdrawn its consent from existing rulers ... then the public may turn to someone who promises to sweep this elite away.” They then choose “self-confident right-wing populists in place of old elites”.

Proportionally, this is clearly more the case among the less educated. The less attached to traditional politics and parties, “the more likely they are to be captured by a successful demagogue” or “a strong leader who can identify domestic enemies and who promises to do something about them without worrying overmuch about legalities”.

A world in evolution, a freer, more equal and culturally diverse world is experienced by them as confusing, directionless, lonely and uncertain. Thus arises the desire “for an authoritative direction of how they must act to secure their place, as individuals and a people, in that world.”[2]

No wonder populist parties in Europe have grown strongly since the financial crisis. In 2007, 15 percent of people in Northern Europe voted for a populist party. In 2019 that was already 45 percent. In Southern Europe there was also a tripling: from 7 to 20 percent. (The figures date from before Meloni came to power in Italy).

Deliberate Strategy

The malaise outlined above is an ideal breeding ground for populism, but the switch of the electorate in that direction not only happens spontaneously, but is also “the consequence of

a specific elite political strategy". In other words, populist voting behavior is created and driven. It is a deliberate strategy of (part of) the establishment to engage in crisis management and even profit from it.

"Such a pluto-populist system requires opinion formers and propagandists to justify, defend and promote it." Christian churches can be very useful in this, but the 'new' and 'old' media are also very important. For example, Robert Murdoch's empire was an important factor in Trump's election. In Europe, too, you see how radical right-wing figures can count on significant media support.[3]

In any case, Trump had "a successful program for welding middle-class and poorer whites to the interests of a sizable part of the commercial elite." But we see this program at work in many other democracies as well, "namely, splitting the less well-off by their racial, ethnic or cultural identities".

And racism works. "It plugs taps into dark aspects of the human character: the search for identity and dominance by "othering" people. What could make that easier than visible difference, such as color, however genetically trivial it evidently is?"

Nor is it a coincidence that the resistance of right-wing populism is directed against the "academic, bureaucratic and cultural elites" and not "economic and financial ones". This is a convenient way of channeling the unease and anti-establishment sentiment in a direction that leaves the interests and privileges of the upper class intact.

In this way, class struggle is replaced by cultural struggle and identity politics. This is convenient for the economic elite.

Why to the Right?

Wolf asks why right-wing populists are more successful than left-wing parties in the current context. He distinguishes three reasons for this. First of all, the established left-wing parties owe their failures largely to themselves. In the past, they more or less adopted neoliberal policies and "did not put forward any fundamentally different prospectus from what had been on offer". It was also more and more highly educated people who predominated in those parties. As a result, part of their classic constituency feels "abandoned by traditional left-of-center parties".

Second, the working class has been weakened: labor has become more atomized and the rate of unionization has been reduced. The unions are no longer "the powerful voices of the working class" and that makes it difficult to roll out left-wing politics.

Third, "the collapse of communism"—by which he refers to the fall of the Soviet Union and the Eastern Bloc—has eroded belief in a left-wing alternative. Wolf thinks that today's workers do not believe they will benefit from an eventual leftist "upheaval".

Those are three strong arguments, but he forgets to mention three essential things. First, there is the extremely important role of the media in channeling the discontent to the right. The mainstream media are almost entirely in the hands of large capital groups. They give the right and even the far right preferential or flattering treatment while the outspoken left is reviled or silenced. Just look at how Jeremy Corbyn and Bernie Sanders were demolished in the media.

In a similar way, the right and also the extreme right can count on support from the business world. The left can only count on financial support if it disowns or weakens its own program sufficiently and does not touch the foundations of the balance of power and the distribution of income.

Finally, any leftist project that emerges globally invariably faces hostility and sabotage. The left-wing project of the Greek government Syriza was simply crushed by the European Central Bank turning off the money tap. Another example is the disastrous economic sanctions against Cuba and Venezuela.

Differences from the 1930s

Once a populist leader or party is in power, everything is done to expand that power unbridled. This is done by undermining the authority of “arbitrators” (judges, election officials, tax officials), obstructing or eliminating opponents – especially through media control -, changing the constitution or electoral law and exploiting a crisis or even creating it in order to have a reason for “entitling politicians to emergency powers”.

It is what we saw at work in Poland and in Hungary today. It is also what we saw in part under Trump and what [he intends](#) to do in a second term.

We then end up in what Wolf describes as “fascism light”. He does see two clear differences with the 1920s and 1930s. Hitler and Mussolini were brought to power by “structured political parties. In both cases, the party was a quasi-military organization”. Contemporary populism is “much less disciplined.”

A second difference is the role of the media, and especially the rise of social media. Traditional media such as newspapers and radio were more centralized, in the hands of the fascists they were “one-way media”. Social media, on the other hand, are more decentralized and therefore less controllable and deployable.

But that also means you can do little “against the viral spread of dangerous nonsense, as the rise of the anti-vaccination movement has demonstrated”. It is “far easier to spread ‘rumor’ than before ... and far easier than ever before for the unqualified and unprincipled to influence public opinion”. Wolf notes that it was the populists who have used the latest technology most effectively in recent years.

Solutions

Forty years of neoliberal policies have brought us to the edge of the abyss. That is why “we need a radical and courageous reform of the capitalist economy”. Wolf wants to go back to the ‘welfare state’ from the 1950s to the 1980s and is also inspired by the ‘New Deal’ in the US (1930s). “As it turns out, the agenda of the founding fathers of the post-World War II states still remains relevant. We must return to it. For that to happen, politics must change, too.”

In the view of the present author however, such a return to that period is very idealistic and unfeasible because such a policy was possible then because the balance of power allowed it. After WWII the right was discredited, the world of labor was very strong and the establishment in the West was scared of communism.

Wolf articulates this historical reality as follows:

“Given the challenge from communism, the major political parties realized that the survival of democracy depended on sustaining the loyalties of the huge, well-organized, and politically powerful industrial working class.”

Because of that balance of power, and only because of that, the elites were prepared to make far-reaching concessions to the labor movement in order to avoid the danger of a left-wing revolution. Today, that balance of power is completely reversed, and a return to the post-war situation is utopian as long as this balance of power is not changed.

Apart from that, Wolf’s proposals are interesting in that regard and even quite radical for someone close to the establishment. This indicates that he and part of the elite are well frightened.

For him, returning to the New Deal agenda and the program of a welfare state presupposes a number of things. First, the power of the market must be limited. “If they are to work well, both economically and socially, markets need careful design and regulation and must not be dominated by a small number of oligarchs.” In this he is pretty radical: “There is no doubt that the ‘too-big-to-fail-or-to-jail’ bank must either be ended or chained.”

Wolf believes that the political influence of companies should be limited, just think of lobbying. In addition, trade unions must provide a counterweight to political and economic power.

The state itself must play a central role. It must ensure that companies are subject to competition, that the population is well educated, that the infrastructure is first class and that technological research is adequately funded. “A prosperous society requires a high level of high-quality investment.”

It is obvious to Wolf that in many countries the state will need more resources to provide good education and health care and also because the population is ageing and will continue to age. That is why taxes will have to rise just about everywhere to keep up with current standards.

This also implies a radical tax shift. According to Wolf, “rich people do not pay much if any tax”. “The Trumps, the Zuckerbergs and the Buffetts of this world pay lower taxes than teachers and secretaries.” That has to change. Wolf argues for “an ongoing wealth tax, as both Norway and Switzerland have done for a long time”. He calculates that a wealth tax of 1 percent could generate income of up to 2 percent of GDP.

These proposals from Wolf are all okay, but they don’t stand a chance within the current balance of power.

In the spirit of Plato, Wolf attaches great importance to “the elites”. “Without decent and competent elites, democracy will perish.” He refers to the “predatory, short-sighted and amoral elites” in countries such as “Hungary, Poland, and even the UK and US”.

Competent management and high-quality bureaucracy are needed. It is essential to attract high-quality people for this and to pay them adequately.

According to Wolf, the electoral system needs a thorough overhaul. He is particularly keen on the way current representative democracy functions. He describes the current elected

officials as “often ambitious, unprincipled, fanatical, unbalanced and, not least *unrepresentative* people who fill representative elected bodies”. They work with “manipulative campaigns, made more damaging by contemporary information technology”.

He makes a number of proposals to strengthen the political system. He is thinking of a “House of Merit”,^[4] a system of drawing lots to appoint parliamentarians, a jury of experts, and referenda. There should also be a ban on political donations by companies or foreigners to political parties. In the present author’s view, the proposals are not only unconvincing, they will not really address the fundamental problems we are struggling with (see below).

The media must be revitalized. Above all, there must be a fight against blatant disinformation, both in parts of the “old media” and in the “powerful social media”. Wolf puts forward a number of proposals to this end.

Wolf advocates the use of high-quality public service broadcasters. He wants a restriction on political advertising, including on social media. He favors government support for the media to maintain the diversity of highly qualified news sources. Anonymous comments and messages should be eliminated and stricter control is needed on companies such as Facebook by means of higher fines and supervision of the algorithms.

These are rather ‘innocent, benevolent’ proposals, but even those have little chance of success with the current balance of power.

A final proposal for the restoration of democracy is a recognition that it needs good citizenship. “If a democratic political community is to thrive, there must be an overarching sense of identity”. It is about a “mutual commitment that is expressed as patriotism”.

Patriotism is “devotion to a particular place and particular way of life, which one believes is the best in the world but has no wish to force upon other people”. In this it differs from nationalism, which is “inseparable from the desire for power”.^[5]

For Wolf, patriotism and civic virtue are two sides of the same coin. Civic virtue is “the understanding that citizens have obligations to one another. ... A society that lacks such virtues risks to become feral and disordered”.

“For the vast majority of ordinary people, citizenship is a source of pride, security and identity.” According to Wolf, a major mistake of traditional elites was “their contempt for patriotism, particularly working-class patriotism “. By the way the same applies to the traditional left, which often lumps nationalism and patriotism together. In any case, Wolf’s arguments regarding this issue are worth considering.

Inconsequent

The opus magnum of this top economist is very interesting because it contains almost all the ingredients of a razor-sharp, materialistic analysis of contemporary society. He unravels the totally lopsided power relations that are the cause of the inequality or the dysfunction of the political system.

The problem is that he does not carry his analysis through or is unable to do so consequently, because he would then have to question capitalism as such. And it is precisely the capitalist system he wants to save.

For a way out of the current crisis of capitalism, therefore, he ultimately resorts to moralistic or idealistic proposals. For instance, he argues “that a society built on greed cannot stand. Other moral values of duty, fairness, responsibility, and decency must permeate a successful society. Yet these values ... must permeate the market economy itself”.

He expects a lot from the morality of the economic and political elites: “Liberal democracy ... depends ultimately on truthfulness and trustworthiness in those in positions of responsibility”.

We already pointed out the utopian and idealistic character of wanting to return to the welfare state. At times his idealism borders on the naive. Two examples: “There are indeed problems with the aims of the corporation and the model of corporate governance in which shareholder interests and power are dominant.” “But why people of immeasurable wealth should fight so hard not to pay taxes is beyond the understanding of any reasonable person.”

Profit maximization based on privately owned production and through the appropriation of the surplus value of labor however is the essence of capitalism. Profit maximization is not a matter of immorality or greed, it is a law imposed by competition.

Large social inequalities, monopolies, super-profits, and many other evils enumerated by Wolf are not excesses of the system, but derive directly from its logic. In the condition of favorable power relations you may be able to temper them a bit but will not undo them.

However, the fact that Wolf dodges this ‘inconvenient truth’ does not detract from the great value of this book. If you take out the moralistic and idealistic dimension and consistently extend his argument, you get a razor-sharp analysis of how capitalism works.

We would like to elaborate on three aspects of this: the relationship between state and capital, the fundamental problem of any democracy, and fascism as crisis management.

Relationship Between State and Capital

In capitalism, capital should not rule itself, but there should be a separation between politics and economics, or in Wolf’s words “the separation of power and wealth”. The economy needs the state to regulate the market, to arbitrate between different capital groups, to create optimal conditions for economic growth (infrastructure, education, ...), etc.

The state must be strong enough, but not too strong, it must give the economy and the market enough space. Wolf speaks of a “‘shackled’, but strong Leviathan”.^[6] Conversely, the state should not be captured by the most powerful actors in the economy”. It is all about “fragile balances”.

However, that ideal image is at odds with the reality that Wolf himself outlines throughout his book. For example, he believes that politics should be a counterweight to the abuses of power by the economic players. But that’s not how it works, he admits.

He refers to the founder of liberalism, Adam Smith, who warned against “the tendency of the powerful to rig the economic and political systems against the rest of the society”.

[Adam Smith](#) himself, at any rate, makes no bones about it:

“Civil government, so far as it is instituted for the security of property, is in reality instituted for the defense of the rich against the poor, or of those who have some property against those who have none at all.”

The problem for Wolf is with ‘big companies’.[7] They are “engines of prosperity. Yet, on the negative side, companies also possess enormous economic and political power, which they can and do abuse”. Among other things, he points to monopolies and so-called system integrators that single-handedly dominate large parts of world trade and have a turnover that often exceeds the GDP of a lot of countries.

Regarding the power of finance capital, he quotes [Franklin Roosevelt](#), the US president who launched the New Deal:

“We now know that Government by organized money is just as dangerous as Government by organized mob.”

The problem is that wealthy people have “powerful direct influence over politics” through all sorts of channels. They play “a dominant role in shaping public policy”. In this regard, Wolf favorably quotes two political analysts: “The majority does not rule, at least not in the causal sense of actually determining of policy outcomes. When a majority of the citizens disagrees with the economic elites or with organized interests, they generally lose.”

“Democracy is for sale” says Wolf. In other words, capital does not govern but prevails.

If we list the elements above and look at them from a class perspective, we can say that the state has two basic functions: forging cohesion between the classes and arbitration between the different factions of the ruling class.[8] To achieve this, the political leaders need a certain room for maneuver. This is necessary to respond flexibly to changing circumstances and new challenges.

However, the autonomy of politicians is limited. The government cannot intervene directly in the productive apparatus and any economic policy is very limited. Even more important is the kind of veto power the capitalist class has. If it wants to, it can strangle a country’s economy. This happened, for example, in Chile just before the coup in 1973, in Venezuela in 2003 and in Greece in 2015.

The state is, as it were, on the leash of capital. The chain can be long or short and indicates how much room for maneuver the government has, but in the end the chain is firmly fixed.[9] That is also why Wolf’s proposed measures to reform the political system may have little effect or even none at all.

Although Wolf himself is aware of this, he does not draw the necessary conclusions from it. To counter the overly powerful and abusive monopolies, “the democratic political process” must be able to “offset” their abuses. “Yet that assumes a neutral political process in which well-intentioned legislators respond to the choices of well-informed voters. *Nothing could be further from reality.*” (Our emphasis)

The key to tackling fundamental social problems lies not so much with politics and the way decision-making is organized there, as with “the huge imbalance of power” in the economy. That power inequality is part of the DNA of capitalism which Wolf does not want to alter.

The Fundamental Problem of Democracy

Plato and Aristotle are the most famous founders of political thought in the West and are an important source of inspiration for Wolf. Both Greek thinkers were already facing a fundamental dilemma:

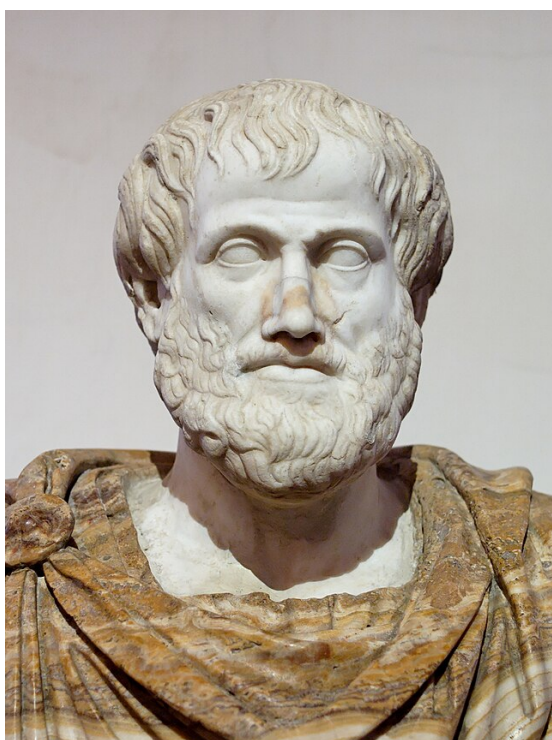
Democracy literally means that power lies with the people and therefore with the poor(er) majority. But, if those poor actually use their numerical superiority to assert their (economic) interests, then the wealth and privileges of the elites will quickly come to an end, and that of course is not what they want.

Wolf articulates this fundamental problem as follows:

“Once inequality becomes large enough, nothing is more likely than that the wealthy few will struggle to repress the democratic representation of the poor many.”

This issue is most acute in taxation, of which wealth redistribution can be an important aspect: “The ability of an elected legislature to determine what, how and how much to tax is, correspondingly, the most fundamental feature of democracy.”

Image: Bust of Aristotle. Marble, Roman copy after a Greek bronze original by Lysippos from 330 BC; the alabaster mantle is a modern addition. (From the Public Domain)



Because of this dilemma, Plato and Aristotle opposed a democratic form of government. [Aristotle:](#)

“In a democracy the poor have more power than the rich, because there are more of them, and the will of the majority is supreme.”

That is why he rejects democracy, but for the Greek philosopher, autocracy is also out of the question. Political discussion and adversarial debate are important and necessary to keep the different factions of the elites in balance. The dilemma was solved by limiting the

participants in the political debate. In democratic Athens, debate was for the privilege of a small elite, about [ten percent](#) of the Greek polis.[10]

Greek 'democracy' did not last long and was a rare exception in history. Until the end of the Middle Ages there was no question of democratic debate, it was the nobility which ruled until then. With the rise of capitalism, a new, wealthy class emerged that began to claim its share of power.

The bourgeois revolutions resulted in a reallocation of power and a new political system that had to take account of the new balance of forces. The 'separation of powers and the bicameral splits in parliamentary systems, for example, were intended to contain the conflict between the nobility and the emerging bourgeoisie.

Wolf puts it this way: "Market capitalism demanded a more egalitarian politics". Discussions in parliament were necessary to accommodate and balance the interests of the different factions of the citizenry.

But just like in Athens, the political discussion was limited to the elites. Only the wealthy citizens were given the right to vote and could be represented in parliament, the so-called tax suffrage. It would be quite a while before everyone was given the right to vote.

In this regard Wolf notes that the United Kingdom was "essentially monarchical or aristocratic until well into the nineteenth century", that the Constitution of the United States was "deliberately constructed to constrain the will of the majority on multiple dimensions," and that universal suffrage "is a remarkably recent development".

In other words, the working people were not meant to have their say. The bourgeoisie and parliamentarians did everything they could to prevent the numerical majority of the working population from resulting in political dominance. That is why they tried to block universal suffrage for as long as possible.

But under increasing pressure and during fierce battles, they finally had to allow it. "Universal suffrage representative democracy ... was the product of a long struggle," writes Wolf.

All sorts of tricks and mechanisms were devised to ensure that economic privileges remained intact and that there was no excessive redistribution of wealth.[11] Successfully. The current bourgeois parliamentary system has proven to be particularly effective in giving the appearance of co-determination to the common people while preserving fundamental economic inequality.

"How, after all, does a political party dedicated to the material interests of the top 0.1 per cent of the income distribution win and hold power in a universal suffrage democracy?" an exasperated Wolf wonders.

The elites can keep up appearances as long as inequality is not too great, as long as there is sufficient economic growth and as long as there are good prospects for the future. If that is not the case, appearances will fall away, the fundamental problem will emerge in all its sharpness and make the system shake to its foundations.

As in the 1930s, we are once again experiencing such a period. And that brings us to the last point.

Fascism as Crisis Management

Since its inception, capitalism has seen various forms of government, ranging from democratic republics, monarchies and military dictatorships to fascist regimes. In 'normal' circumstances, the economic elites do not support an authoritarian regime because they usually have less control over it and because such a regime can be dangerously unpredictable.

Bourgeois regimes, with their game of changing majorities and their predictable and compliant character, are preferred by the ruling class. They also create a semblance of co-determination that easily misleads parts of the population.

But in a severe socio-economic crisis, objections to authoritarian regimes are pushed aside in order to safeguard the entire system. In the 1930s, a large section of the capitalist class saw no harm in an alliance with fascists in almost all countries of Western Europe. In the 1960s and 1970s, this phenomenon was repeated in Latin America.

Wolf does not articulate it so sharply but, throughout the past century and a half, he does see a link between the economic conjuncture and democracy. "The pattern of up, down, up, and then down in market capitalism and especially globalization coincides to a quite remarkable degree with that of democratization."

It is in such difficult times that the economic elites "make a Faustian pact" with a dictator even though if they are "not in control of the man or the forces that delivered him".[12] The Nazis, Wolf knows, were supported by the "most successful businessmen". So was Mussolini. His march on Rome could not have taken place without [Italian business leaders](#) funding the fascist squads.

Such a pact with the devil is facilitated by the fact that in those circumstances "a large proportion of the population feels frightened and angry" and that there is a desire for a "strong leader". Taking advantage of that insecurity and unease, autocratic leaders try to gain a mass following. Trump has achieved this on the basis of 'culture wars'.

"Members of this plutocracy have also shifted the political debate away from economic inequality by exploiting the identity politics of ethno-nationalism. The alliance between the plutocracy and the white working class helped give the US to Trump."

Today, we see how neoliberalism is perfectly compatible with authoritarian regimes. This is clearly visible in European countries such as Hungary, Poland, Italy, France or in Brazil (under Bolsonaro) and Bolivia (under Jeanine Añez) in Latin America. "Populism has once again married nationalism," Wolf writes.

Wolf does not take the argument all the way, but history provides sufficient evidence to conclude that authoritarian forms of government, military dictatorships, and in the past fascist regimes are the extreme forms of the power of economic elites. They are their plan B and are the last resort to keep the system afloat.

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For Wolf, capitalism is the only preferable system. But, if you list all the elements that he himself introduces and you think them through consequently, then it is highly questionable whether bourgeois democracy can be saved by continuing to staunchly believe in this

system. May the readers develop their own views on this.

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Notes

[1] The rich consume proportionally less of their income than the poor. In this regard, Wolf cites a study by the OECD, the club of the richest countries, which states that “it is inequality at the bottom of the distribution that hampers growth”.

[2] Here Martin Wolf quotes Shwan W. Rosenberg, ‘[Democracy Devouring Itself: The Rise of the Incompetent Citizen and the Appeal of Right Wing Populism](#)’.

[3] Some examples: Berlusconi, the pacesetter of Meloni, [controlled much](#) of the Italian media. In France, the far-right Zemmour can [count on the support](#) of billionaire and media magnate Vincent Boloré. In Hungary, Orban has acquired [far-reaching control](#) over the media.

[4] This is a kind of unelected senate with a limited term of office, of which a part is replaced every year. “The idea would be to make up the house with people of exceptional achievement in a wide range of civic activities – the law, national and local politics, public service, business, trade unions, media, academia, education, social work, the arts, literature, sports, and so forth.”

[5] Wolf drew this distinction from George Orwell.

[6] Leviathan refers to a book by the political philosopher Thomas Hobbes. In that book, Leviathan stands for the state power, the sovereign, who rules over the citizens for the good of all.

[7] ‘Limited liability corporations’ in American English or ‘company’ in British English.

[8] The government must be able to make social concessions to the lower classes and compromise on secondary issues in order not to lose the political support of the majority. It is also impossible for the state to meet the needs and demands of all fractions of capital at the same time. What is good for one fraction is not necessarily good for another.

[9] Ralph Miliband analysed this excellently. Cf. his book ‘The State in Capitalist Society’, London 1969.

[10] Those 10 percent included the ‘free’ men, i.e. men who did not have to earn their living. Slaves, freedmen, foreigners, women, as well as small farmers, artisans, craftsmen, shopkeepers and merchants were excluded from political life.

[11] Just think of ‘integrating’ the radical labour movements into the system, controlling the media, keeping important socio-economic decisions out of parliament, etc. See Losurdo D., *Démocratie ou bonapartisme. Triomphe et décadence du suffrage universel*, Paris 2003.

[12] Wolf is referring to Trump here.

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