

The Crisis of Democratic Capitalism

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Third Sir David Greenaway Lecture

Nottingham University

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The crisis of democratic capitalism

“In 2016, I declared, ‘I am your voice. Today, I add: I am your warrior. I am your justice. And for those who have been wronged and betrayed, I am your retribution.’”

Donald Trump, 4th March 2023

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“It is clear then that the best partnership in a state is the one which operates through the middle people, and also that those states in which the middle element is large, and stronger if possible than the other two together, or at any rate stronger than either of them alone, have every chance of having a well-run constitution.”

Aristotle, *The Politics*

The crisis of democratic capitalism

“μηδὲν ἄγαν” (Nothing in excess.)

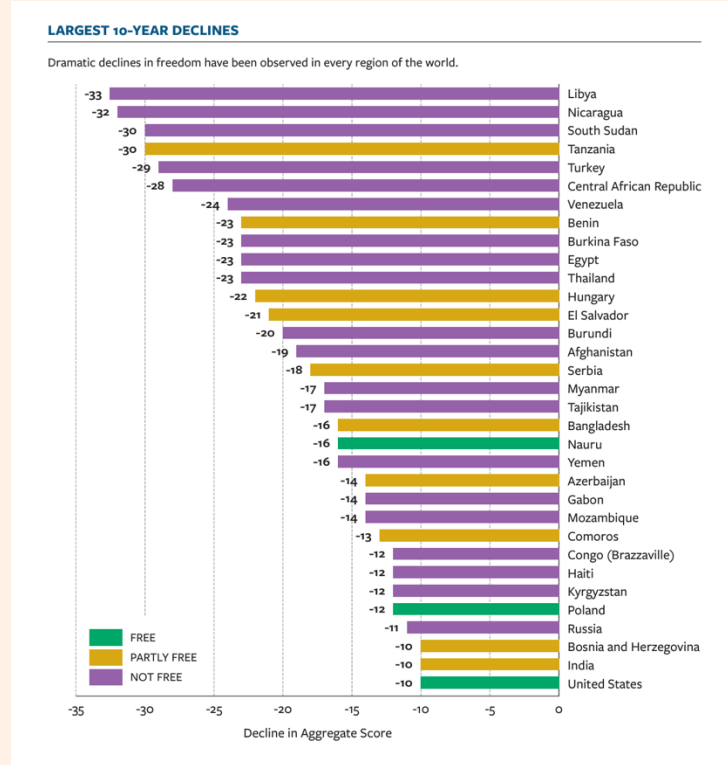
From the Temple of Apollo at Delphi

The Crisis of Democratic Capitalism

1. What motivated me to write this book
2. The democratic recession
3. How democratic capitalism was born
4. Unhappy high-income democracies
5. Democratic capitalism in the world
6. Is it already too late to save democratic capitalism?

2. The democratic recession

In the 2023 *Freedom in the World* report, from Freedom House, the US had suffered a large 10-year decline in its rating. The same is true of India. These are of course the world's two largest democracies.

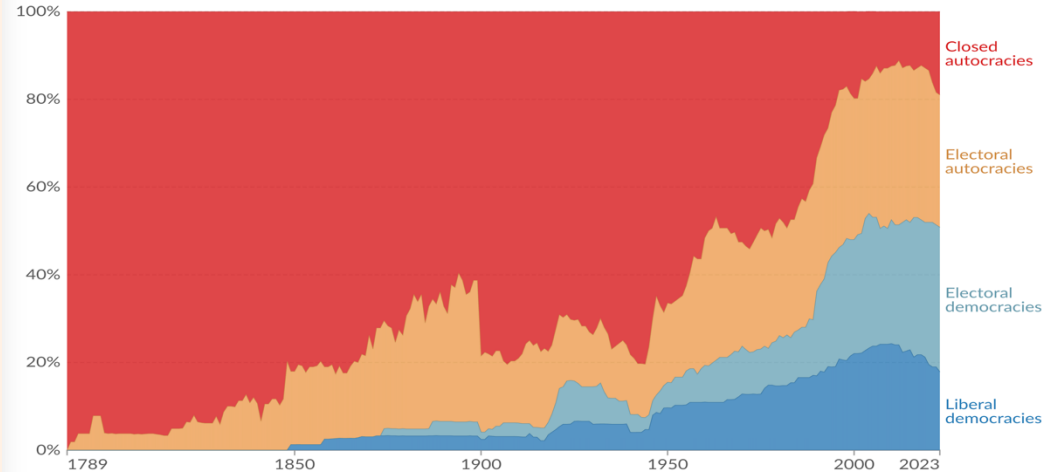


3. How democratic capitalism was born

Countries that are democracies and autocracies, World

Political regimes based on the classification¹ by Lührmann et al. (2018) and the estimates by V-Dem²'s experts.

Our World
in Data



Data source: V-Dem (2024)

OurWorldinData.org/democracy | CC BY

Note: The share of closed autocracies increases a lot in 1900 because V-Dem covers many more countries since then, often colonies.

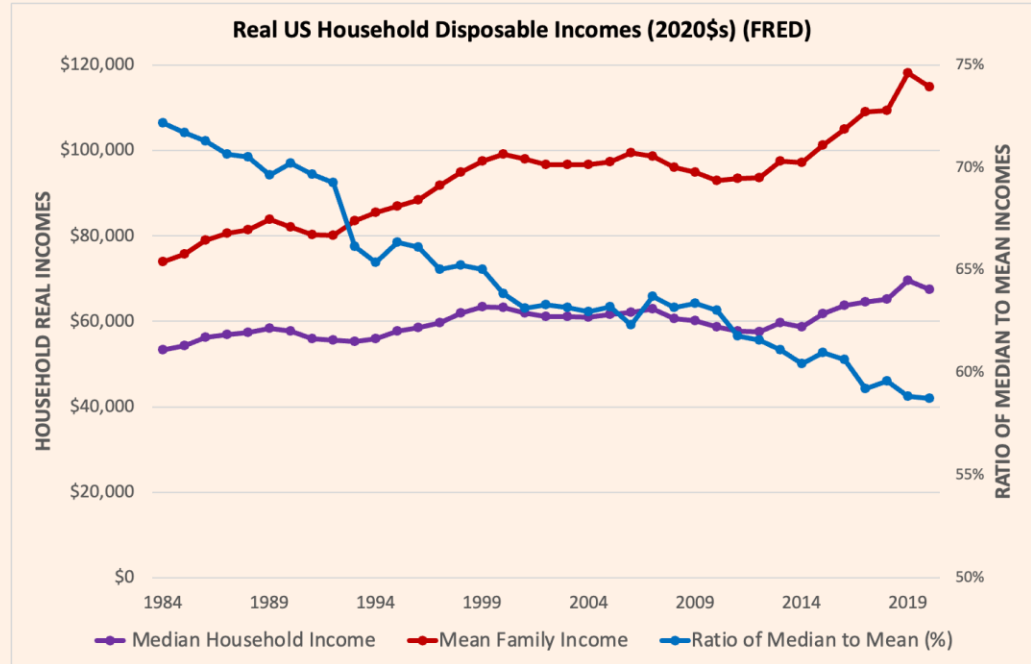
1. Regimes of the World's regime classification: Closed autocracy: citizens do not have the right to choose either the chief executive of the government or the legislature through multi-party elections. Electoral autocracy: citizens have the right to choose the chief executive and the legislature through multi-party elections; but they lack some freedoms, such as the freedoms of association or expression that make the elections meaningful, free, and fair. Electoral democracy: citizens have the right to choose the chief executive and the legislature in meaningful, free and fair, and multi-party elections. Liberal democracy: electoral democracy and citizens enjoy individual and minority rights, are equal before the law, and the actions of the executive are constrained by the legislative and the courts. Read more in our article: The 'Regimes of the World' data: how do researchers measure democracy?

3. How democratic capitalism was born



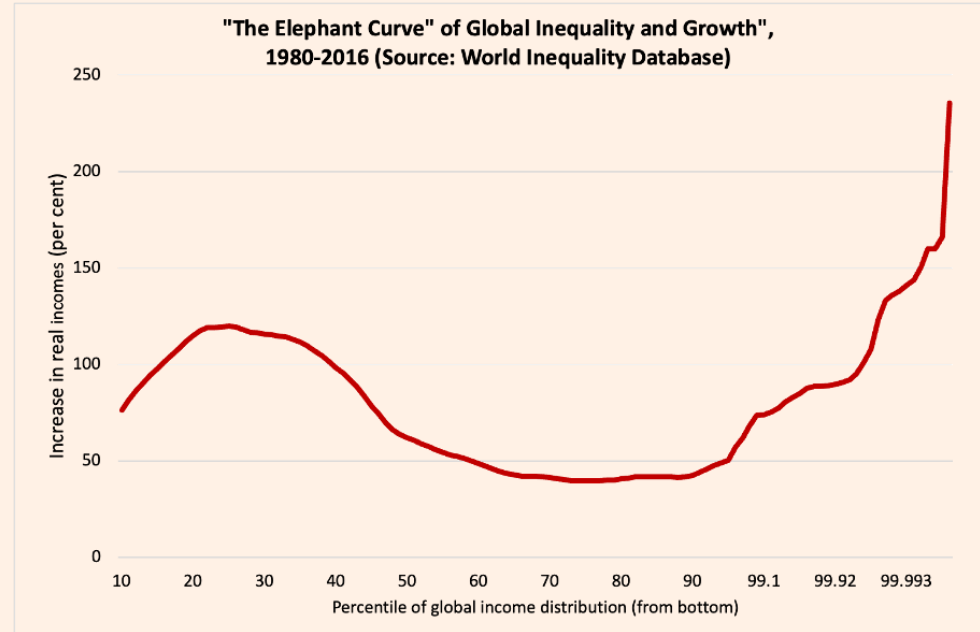
4. Unhappy high-income democracies

The US has experienced marked relative decline of the median household.



4. Unhappy high-income democracies

The upper middle of the global income distribution has done relatively poorly over the last few decades

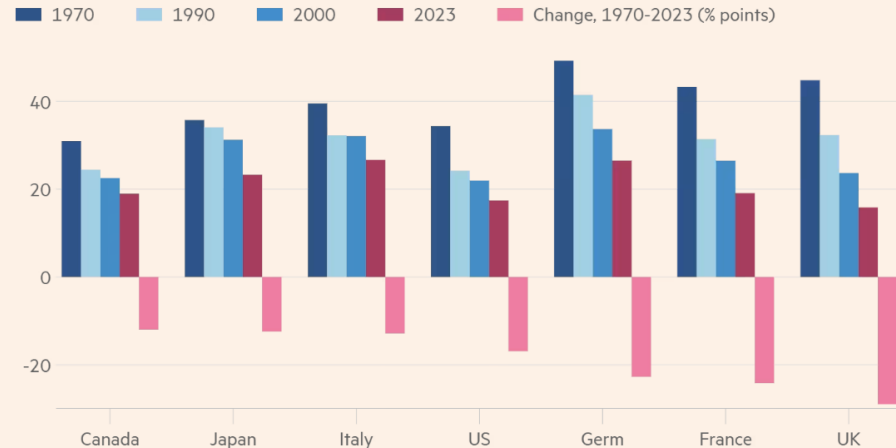


4. Unhappy high-income democracies

The old days of a large industrial labour force have now gone. This has had profound social and political effects. Particularly significant is the associated decline of trades unions.

Reversing the falling share of industrial employment will be hard

Employment in industry as a % of total employment



Ranked by change, 1970 to 2023

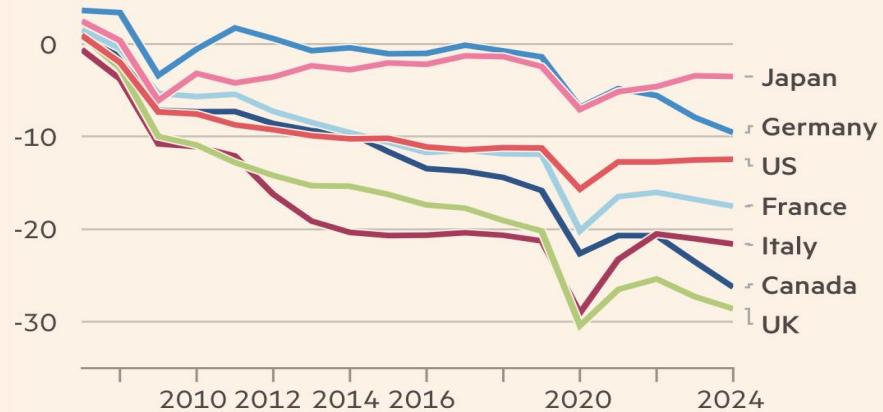
Source: OECD

4. Unhappy high-income democracies

Big financial crises cause political upheavals. This is because they make people frightened and destroy confidence in elites.

UK economic performance has been terrible since the global financial crisis

Deviation of real GDP per head from 1990-2007 trend (%)



FINANCIAL TIMES

Source: IMF; FT calculations

4. Unhappy high-income democracies

Immigration into high-income countries has been substantial, with the share of the foreign born in the population rising rapidly in many countries. But there seems to be no clear relationship between the rise and the degree of political tension over immigration.

