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*The challenges liberal democratic
capitalism has to face*

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Challenges of Globalisation

ABSTRACT

The following essay is debating the current challenges liberal democratic capitalism is facing, especially in the Western world. The once praised system has lost its support of a rising number of people, which is why this issue has reached a significantly high importance and should not be disregarded. Through increasing inequality, high unemployment rates and poor wage growth the democratic system is experiencing a dramatic recession because the population has no faith and trust in it anymore. Citizens show their anger and dissatisfaction in voting for growing authoritarian populism since they are not given a trustworthy alternative. Therefore, it is time to give the liberal democratic system back their credibility by correcting the past failures and establishing an economic and political system primarily based on reliability, equality and economic steadiness, with replacing the former one, which has definitively become too weak to fight elites.

INTRODUCTION

“Liberalism made the modern world, but the modern world is turning against it.” (Mishra, 2019) The liberal democratic capitalism has at some point already turned into more undemocratic liberalism, since incumbent economic and political systems stopped acting for their national welfare and neglecting people with struggling conditions while increasing inequality. But isn't the idea behind capitalism that it should work for everyone? Exactly this seems to be the issue of the once praised “western way of life” and its rising disorder. What could we say went wrong? Why have so many people lost faith in liberal democratic capitalism and how can we defend the western lifestyle? The following essay is going to tackle this issue while debating these questions and its implications for global business.

WHAT DO WE MEAN BY LIBERAL DEMOCRATIC CAPITALISM?

Looking back in our history and all the various political systems that have been implemented in order to lead human beings, none has reformed the expectations of humans in the way that liberal democratic capitalism has. Under liberal democratic capitalism, we understand three ideologies represented in one system: a nation respecting the individual human rights, liberty and equality before the law; a prevailing market economy and competition as the basic principles of the economic order; and the ideology of justice for all and freedom of speech. (Novak, 1991)

CHALLENGES OF GLOBALISATION TO LIBERAL DEMOCRATIC CAPITALISM

The main challenge of globalisation is to sustain the liberal democratic peace followed by the credibility of the liberal democratic system. However, the question arises if people are capable of controlling themselves when the major part of their social and economic interactions lies beyond their borders and beyond the scope of their responsible government. Therefore, global liberal democratic capitalism has to face three main challenges: The first one refers to “commodification”, the process of privatization of previously shared or family used resources. It can also be related to the marketing of human labour. It is seen as a challenge because the spreading market logic leads to an “economization of the social system” and therefore can undermine democratic liability. This challenge is followed by “inequality”, as the globalisation process benefits mostly those who are the most profitable. With reducing barriers to global interactions and exchanges, the difference between the economic well-being of human beings is on the rise and does not comply with the standards of the liberal democratic ideology. The last challenge is the “security” and its stability of the liberal democratic system as the slightly

changing role of hegemony from the US to China makes Europe become flustered. China is becoming one of the fastest-growing global economies due to certain international trade rules which made the country profit from its labour productivity. With China's economy on the rise, global political power is slowly shifting more to the East. (Doyle, 2000).

WESTERN'S GREATEST THREAT

John Kozy said that "*The greatest threat to the Western Way of Life is the Western Way of Life itself*" (Kozy, 2010) as human beings are trying to solve dilemmas mainly created by themselves. The once from other countries yearningly admired economic and political Western system has already passed its Golden Age and will probably never reach the same attractiveness to its citizens if it does not take action to change its current structure. Liberal democratic capitalism should be equally profitable for everyone. But since the benefits of industrialisation depend on overproduction and profit maximisation, an equated trade would mean no economic profit accumulation. This is one of the main reasons why there are still, on the one hand, the winner of liberal democratic capitalism but on the other hand a rising number of losers.

In fact, these losers, representing the people left behind, are angry and expressing their dissatisfaction in their vote at elections. This is because the more the economic and political elites of the Western countries are welcoming and praising capitalism, the more the people are losing faith and their respect in it. The western way of living in liberal democratic capitalism should be expressed through freedom of speech, regulations coming along with certain rules and laws as well as its governmental system of power-sharing.

AUTHORITARIAN POPULISM

However, with the increase of authoritarian populism, the liberal economy and policy are facing the threat of being displaced by the former. It is already shocking that neo-fascistic parties, who publicly disapprove of democracy are increasingly supported by a wide-ranging number of people, as it is the case in Hungary, Poland, and Turkey. Taking Hungary as an example, a country, which has once been admired for its democratisation and has now turned into an authoritarian regime with a leader fighting for anti-migration and restricting democracy. People from outwards are blaming political manipulation for this reversion but ignoring the actual incumbent situation of high unemployment rates, poor wages and debt increases in the country.

Therefore, populism and authoritarianism can be seen as the result of the economic and political failure of the previous years. Also, the increase in the vote for right-wing extreme parties, like the AfD in Germany and the FPÖ in Austria or the protest party in Italy are demonstrating the reaction of the citizens regarding their dissatisfaction with the current system. Also in Spain, the extreme right party, VOX, has currently increased significantly in its votes in the second governmental elections. It is true what Martin Sandbu states in his article: *“Economics is not destiny, but forms it”*. (Sandbu, 2018)

PRESSURE FROM CHINA

The Western way of life is feeling the pressure from the growing authoritarianism in China, whose model has seen a rising vigorous economic outcome in recent times. While it is undeniable that the Chinese system is flourishing as it creates more jobs and helps people overcome poverty, the liberal democratic capitalism in the Western countries is facing the failure to distribute equal welfare. It is also true that China has become less democratic and more dominant and assertive compared to two decades ago. Its capitalistic system has continued besides China's inspiring climb. It can be stated that China is moving forward, while the West remains still and stagnate in its economy. The question of whether China is becoming the better model is not inconceivable anymore.

ROBOTS: THE THREAT TO FUTURE JOBS

Another important topic is that more and more workers are facing the threat of losing their jobs due to technological displacement with robots. Especially China, India, and the U.S but also Germany is concerned with this upraising issue. (Figure 1). This structural economic change can be described as a future failure of the current system as the youth is in fear of not getting a position after their studies and should always be prepared to train for a different profession. As the time could come that human beings are being replaced by robots, the liberal democratic capitalism should regain the peoples' faith by providing retraining and educational assistance in order to support workers to handle technological changes instead of letting people fall into a deep depression of unemployment.

However, the above mention aspect does not mean that technological change should be rejected. On the contrary! Technological, as well as cultural and economic change, should be promoted and embraced by the western liberal system in order to keep up with the ongoing global revolution and fight against the unstable employment market. Nevertheless, at the same

time the economy should guarantee workplaces and employment to avoid a worldwide crisis. Education should be seen as the key in order to prepare the population for the technological and robotic workforce in the future. Germany, for instance, is having an efficient model with its “dual-system training”, as students are expected to work in a company besides studying. A smooth combination which can enhance future work chances.

INSECURITY, FRUSTRATION, AND DISSATISFACTION: WHAT WENT WRONG?

And it is also true that the aftermath of the financial crisis has directly hit the youth generation with the shocking proliferation of job insecurity coming along with high unemployment rates and stagnation of wage increase. No wonder that they are unhappy and frustrated with the current economic and political system. A rising figure of young people are starting to refuse capitalism due to their faith loss in a liberal democratic world, that failed to reach equality for everyone. Especially the Great Depression and its drastic consequences have deepened and engrained their adverse attitude towards capitalism.

Moreover, such changes of tendency have appeared primarily in Western Europe and the United States. This is because the overall trust of the population in incumbent business, economy, and politics has decreased globally. The ideology of capitalism as being the process of combining individual liberty and national prosperity has been mismanaged over decades, since it has steer in the direction to enhance the power of elites which, as a result, has yielded in huge inequality. The democratic regimes seem to be inefficient in maintain the economic balance (Forrester, 2019).

MIGRATION

Mass migration is one of the outcomes of the globalisation process that generates rising conflicts between personal autonomy, which defines that people can settle wherever they want, and democratic authority, which defines citizenship as a collective right of ownership on which citizens exercise influence. Migrating inevitably creates tension between national democracy and global business opportunities. Having in mind the recent failure of the liberal democratic capitalism, coming along with the aftermath of the financial crisis and its ravage trust issues in the elites who are representing our nation through political and economic decisions, mass migration is feared by the population of the Western world. People believe that the current system is too weak to effectively manage and integrate large migration flows caused by

globalisation. So it is no surprise that migration is now standing in the focus of many political performances, challenging the democratic system.

INEQUALITY LEADS TO ECONOMIC GROWTH STAGNATION

Furthermore, the greed of elite and western economies for more profit gathering through engaging in trade with less developed countries and embracing cheap and low-skilled workers has led the world population to question even more the trust in liberal democratic capitalism. An increasing number of people view the political system as unfair and are concerned about the structure of the Western economy, which has the tendency to bring wealth only to a small group of people.

Along with the rise of inequality comes the increase in criminal behaviour and the effects on reducing the educational opportunities for people with a poor socio-economic background. It is also decreasing social mobility and threatening the development of social skills. Some studies highlight: If your society is strongly separated between winners and losers, some of those who lose will come to the conclusion that the game is manipulated and it is not in their attentions to follow the rules. For these reasons, large inequality caused by globalisation is posing a severe threat to destabilise the liberal democratic system. (Ingraham, 2018)

HOW TO RESCUE LIBERAL DEMOCRATIC CAPITALISM

In order to rescue the western way of life with its liberal democratic capitalism, western countries and its economy, as well as its policy, should clearly overthink their current situation and encourage change instead of frightening it. The population would surely prefer a democratic system over an authoritarian, but if the previous one fails and it becomes trustless, people see themselves in a position without any given alternative and will vote for the latter to express their dissatisfaction and their indirect call for change. Especially for the youth, the old framework of liberal democratic capitalism appears to be a restraint to political possibilities. It is time to correct the mistakes of the past decades and give the liberal democratic capitalism back its credible meaning.

Furthermore, redistribution rules of the benefits of globalisation should be equally distributed between the elites and the rest of the population in order to fulfil the requirements of equality in the liberal democratic system. Certain stability conditions preserve social peace and prevent strikes and protest from the mass. Therefore, the new system should be established on reliability, equality and economic steadiness, replacing the former one, which has definitively become too weak to fight elites.

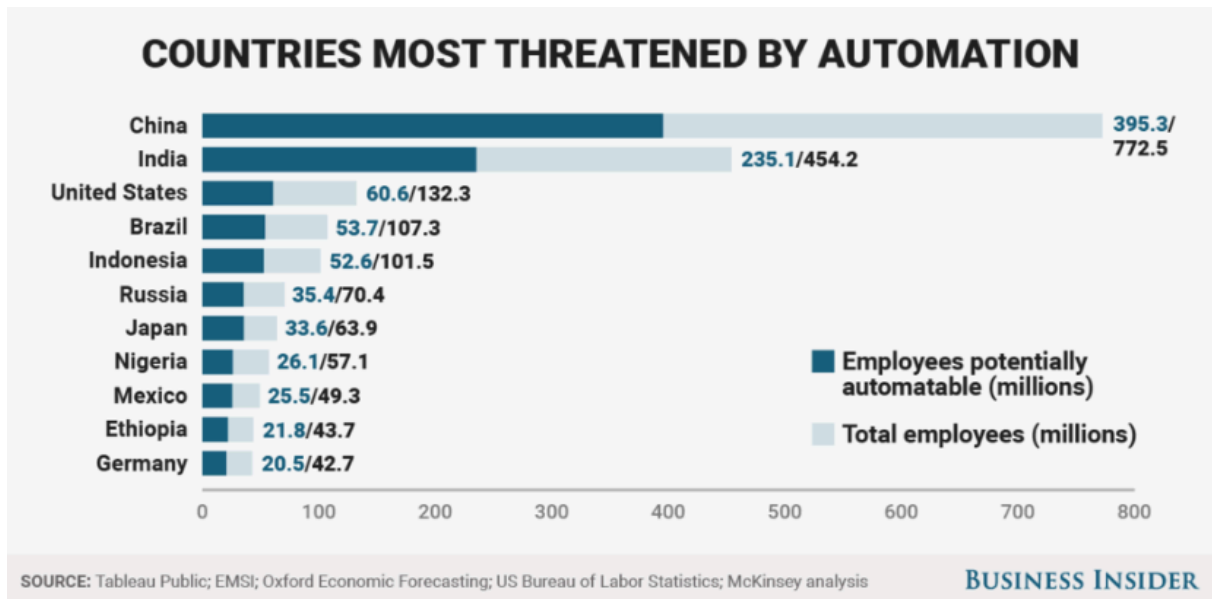
CONCLUSION

All the above-mentioned statements indicate that democracy itself is collapsing after having spread around the global world economy. Through the increasing insecurity and dissatisfaction with the current economic and political system, reinforced with the aftermath of the financial crisis and the challenges of globalisation, the loss of faith is rising. These negative feelings are not beneficial to a stable democracy because trust and support is the key to a functional liberal democratic capitalism. If it vanishes, politics can get venomous.

The question still remains how such alteration of systems can be done in recent days when the society still seems disorganised and mismanaged by the elite. Should the liberal democratic capitalism start to use more radical methods in order to defend their regime? A fair question, which is hard to answer without changing the original ideology of this system. Acting in a more radical way could jeopardize the whole idea behind democracy and capitalism. Liberal democratic capitalism could survive but only if democracy is again prepared to mitigate unrestrained capitalism. However, if the Western economy is not willing to change its current incumbent economic and political situation, crony capitalism is going to extend its cooperation with authoritarian regimes. This, on the other hand, means that the number of people losing faith in the system will grow and right-wing parties will keep increasing in vote. And as Kant is saying it correctly: *“The key to the liberal argument is the claim that by establishing domestic liberty, political participation, and market exchange one can have the international payoff of peace as well”*... (Doyle, 2000).

APPENDIX

Figure 1: *Countries most threatened by automation.* Retrieved November 14th, 2019, from <https://www.businessinsider.com/retraining-solution-to-robots-automation-2017-7?IR=T>



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