

REVIEWS

Martin Wolf, *The Crisis of Democratic Capitalism*
Allen Lane: London 2023, £30, hardback
496 pp, 978 0 2413 034 12

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SERMONS FOR PRINCES

If democratic capitalism is in crisis, Martin Wolf, chief economics commentator at the *Financial Times*, would seem well placed to plumb the reasons why. Wolf is an extraordinarily well-connected and well-informed writer—‘the world’s pre-eminent financial journalist’, as Lawrence Summers’s backhanded compliment would have it. Two features distinguish him from his American counterparts. The first is that his columns are of a far higher intellectual calibre than, say, a Paul Krugman’s. The second is that in the US, it would be expected that an economist of Wolf’s standing would also occupy a named chair at an Ivy League university and rotate through roles in the Treasury–Federal Reserve nexus. That does not apply in the Westminster system. Though central bankers and financiers feature prominently among the close friends and interlocutors thanked in his books—Mervyn King, Ben Bernanke, Olivier Blanchard, Raghuram Rajan, Andy Haldane, Jeffrey Sachs, George Soros—in *The Crisis of Democratic Capitalism*, Wolf declares himself proud to be a simple servant of the Fourth Estate, devoted to the principles of liberty and democracy, the values of the Enlightenment and the primacy of truth.

Wolf’s training was in development economics, with a specialization in international trade. He has described his background in the prefaces to several of his books. Born in London in 1946, he is the son of Jewish refugees from Nazi Europe. His father, Edmund Wolf, was born in Galicia and began his career as a playwright in Vienna; a staunchly anti-communist

social democrat, he fled to England in 1937 and later worked as a writer and broadcaster, a leading figure at the BBC's German service and contributor to *Die Zeit*. Wolf's mother was the daughter of a Dutch-Jewish fish merchant who escaped with his family across the North Sea in May 1940, just ahead of the Nazi invasion. Wolf attended UCS, an independent boys' school in Hampstead, and in 1965 went up to Oxford to study classics at Corpus Christi, later switching to PPE. Wolf has repeatedly said that he took his parents' values as his own and never felt the slightest inclination to rebel. At Oxford he became a right-wing member of the Labour Club, inoculated by his father's views against the 'infantile leftism' he encountered there. As he explained in the preface to *Why Globalization Works* (2004), he already knew that 'all the varieties of Marxism were both wicked and stupid', their ideas 'almost as insane as those of the Nazis'. In his view, moderate conservatives, liberals and social democrats were aligned in all the great battles against 'religious fanatics, obscurantists, extreme environmentalists, fascists, Marxists and, of course, contemporary anti-globalizers.'

Politically and intellectually, the turning point for Wolf seems to have been his MPhil in economics at Nuffield, which introduced him to the circle around the development economist Ian Little, an early and influential advocate of trade liberalization. Well-known in World Bank and OECD circles, with a special interest in India, Little was conducting a sustained assault on the prevailing 'structuralist' development orthodoxy with great intellectual brio. This cemented Wolf's conversion from social democracy to 'classical liberalism', while the Fabian Society's rejection of his pamphlet attacking council housing and rent controls snapped his links with Labour. Wolf joined the World Bank in 1971. A young warrior for the open-markets cause, he was assigned first to the East Africa desk and then to India, where he formed lasting friendships and produced a book on the country's (lack of) exports. By the end of the decade, however, he had decided that World Bank lending under Robert McNamara was irredeemably flawed—a Stalinist vision of development, as he put it in *Why Globalization Works*. He relocated to a London think tank, the Trade Policy Research Centre, where, as director of studies, he was free to promote the neoliberal agenda. Thence, after a few tersely written comment pieces for the *Financial Times*, he was recruited as a leader writer on economics for the paper in 1987, becoming chief economics commentator nine years later.

When he joined it, the *Financial Times* was far more highbrow than it has since become, with serious arts criticism and a haughty disdain for the consumerist bling that now crowds its pages. Economics commentary was dominated by the outsize figure of Samuel Brittan, ten years Wolf's senior; a florid stylist and avidly free-market. By comparison, Wolf's pieces were data-heavy and technocratic, almost Fabian; but all the more authoritative for that.

Under its latest editor, Roula Khalaf, an impressive diversity of genders and skin tones among the FT's writers has been matched by an iron conformity in outlook. Khalaf has purged the maverick thinkers who once enlivened its opinion pages; critical voices, notably the acerbic Wolfgang Münchau, have been silenced and former youthful gadflies—Janan Ganesh, as in his time Gideon Rachman—spend most of their wordage hymning the virtues of the West. But if the FT has lost its way, the same could not be said of Wolf.

His latest book extends and deepens a trajectory already indicated by its predecessors. *Why Globalization Works* may have boldly declared that the problem was not too much but too little globalization, but the arc of Wolf's prognoses has pointed down since then. *Fixing Global Finance*, drafted in 2006 though published in 2009, noted that the financial crises brought about by globalization were 'frighteningly expensive' in terms of the victims' shattered lives, even if Wolf did not then foresee the looming meltdown of 2008. Acknowledging this in his next book, *The Shifts and the Shocks* (2014), he worried that 'the financially driven capitalism that emerged from the market-oriented counter revolution has proved too much of a good thing'—liberalization had brought forth a monster, a financial sector capable of devouring its economy. Now, with *The Crisis of Democratic Capitalism*, Wolf notes that he is circling back to the Fabianism of his youth. The last forty years have vindicated Polanyi's claim that humans would not long tolerate a truly free-market system, he argues, and Keynes's concerns have once again become our own.

In this, of course, Wolf joins a growing chorus. Neoliberalism, it turns out, has led to growing income inequality, macro-economic instability and low investment. The economy has been on life support, the political mainstream subjected to serial electoral blows. This ground has been well trodden already by repentant neoliberal writers, among them DeLong and Summers, joined from the centre left by Tooze and Piketty, and from the right by Lind and Zingales—not to mention more radical writers like Streeck, Durand and Brenner. What does *The Crisis of Democratic Capitalism* bring to this already crowded field?

Wolf's diagnosis is apodictic. 'Ruling elites' have been discredited by the economic calamities generated by liberalized finance, compounded by their own moral and intellectual failings. Trump's America and Brexit Britain have blighted liberal democracy in its heartlands. The rise of China has shaken confidence in—and the confidence of—the West. The balance between politics and the economy has been broken, Wolf writes: 'We are no longer able to combine the operations of the market economy with stable liberal democracy.' The West must find a new equilibrium between the two, which both depend upon each other. Why is this the case? Wolf sets himself the challenge of explaining their changing relationship. *The Crisis of Democratic*

Capitalism opens with some theoretical and historical scene-setting. Theory here, however, does not involve consideration of other thinkers' systematizations of the problem but a metaphorical fable spun by Wolf himself, in which the economic and the political are anthropomorphized as 'symbiotic twins': economics—producing the means for human subsistence—provides the principal rationale for social cooperation; politics provides the framework within which that cooperation works. During the long millennia of hunter-gatherer bands, cooperation was structured through familial relations; under the ancient agrarian empires, by hierarchy and coercion.

With the emergence of fully monetized economies, however, markets made possible a reduction in the self-sufficiency of households, thereby encouraging specialization and creating ever greater market demand. Market expansion in turn made forced labour—serfdom and slavery—increasingly redundant. An economy that rewarded new commercial ideas brought about a transformation in prosperity. Over the past two centuries, decentralized competition and political consent have become the rule—initiating the 'difficult marriage' of capitalism and democracy. Wolf's theoretical account supplies five reasons for this. First, ideology: both embrace the same underlying values, individual freedom and equality of status. Second, the aspirations of a rising middle class, demanding a voice for itself in social and political life; at the same time, US states began to drop property requirements for the vote and censitary suffrage came to appear 'ridiculous'. Third, the 'organized working class' produced by capitalism pushed for the expansion of democracy. Fourth, elite self-interest: national mobilizations for industrial warfare accelerated the shift towards universal suffrage, especially in a country like Britain where a powerful conservative party could represent the needs of property holders under democratic conditions. Finally, great-power influence: the ruling states of the nineteenth and twentieth centuries, the UK and US, were both 'liberal societies' which could impose their paradigm elsewhere, including through military occupation of Germany and Japan after 1945, though regrettably not on post-Soviet Russia. Yet the marriage—or 'fusion'—that produced democratic capitalism has been fragile. An elected government may try to capture the economy, resulting in socialism, the route to disaster; or, contrariwise, those who control the economy may capture the state, resulting in plutocracy. Democracy thus needs to be protected from capitalism, and capitalism from democracy, by a bulwark of institutions, laws and norms.

Wolf's historical account provides a shift in perspective, pointing out that democratic capitalism is a relatively recent development, dating in his view to around 1870. He catalogues democracy's advances and retreats. In 1900, twelve states counted as democratic, though without universal suffrage; their number rose to 24 in 1922, fell to 9 in 1940, rose again to 18 in 1946,

then swelled to 48 in 1989, with the overthrow of the Latin American dictatorships, and to 97 by 2016, with the democratization of much of the ex-Soviet bloc, Southeast Asia and Africa. However, the last thirty years have also seen a 'democratic recession', tracked by the DC-based Freedom House and political sociologists such as Stanford's Larry Diamond. In the established democracies, voter turnout, party allegiance and trust in parliament went into decline, with younger cohorts especially disenchanting, while the non-democracies became increasingly authoritarian. The culmination of this trend was the election of Trump, whose 'hostility to democratic allies and democratic norms' and 'contempt for the liberal global economic order' Wolf regards as potentially transformative.

The Crisis of Democratic Capitalism proposes a rough correlation of democracy's ups and downs with cycles of economic *laissez faire* versus state intervention and globalization versus protectionism. Wolf notes that even before universal suffrage had taken root, the rise of limited liability holdings had produced corporate and financial behemoths. Yet states also grew more powerful as economic actors, government spending as a percentage of GDP quadrupling in the advanced economies between 1914 and 1980. In his telling, the statist turn initiated by the war economies of 1914–18 was consolidated by distrust of capitalist self-regulation after the 1929 Crash and Great Depression. The Keynesian consensus held till the 1970s, when interventionism in turn was discredited by high inflation and unemployment, combined with weak profitability, slow productivity growth and the poor performance of nationalized industries. With the Reagan/Thatcher counter-revolution came a partial return to *laissez faire* through deregulation of finance, tax cuts and privatization, though state spending remained high. This new regime in turn began to unravel with what Wolf justly terms the 2007–12 transatlantic financial crisis, requiring state bailouts, re-regulation and a super-expansionary monetary policy, pioneered in Japan; by the end of the decade, the 'active state' had returned.

Wolf's rounds of globalization and retrenchment roughly track these cycles. The first globalization of 1870–1914, contemporaneous with the advent of democratic capitalism and partial broadenings of suffrage, involved the export of manufactured goods from the imperial metropolises and of raw materials from the colonies and semi-colonies, aided by large-scale overseas investment; by 1914, foreign-held assets—mainly Euro-American holdings in Southern mines and railways—amounted to 19 per cent of world output. In the major economies, the profits of imperialism shored up a relative rise in industrial wages and labour protection. The era of statist macro-economics and the uneven retreat of democracy was then matched by tariffs and capital controls. The composition of the second era of globalization, 1980–2012, was quite different to the first: manufacturing

was ‘unbundled’, with production chains spread out to benefit from cheap labour costs across the world, coordinated by a few US mega-corporations and retail giants that no longer shared a common national interest with their domestic working class, which in turn were hit much harder and more enduringly than expected by the fall in manufacturing jobs and decline of trade unions. The direction of investment was also reversed, now flowing from the poorer countries, especially China, into financial assets in the rich West, temporarily resolving the problem of structurally deficient demand with the leveraged lending boom that collapsed in 2007–12.

The Crisis of Democratic Capitalism does not suggest a direct causal link between de-globalization and the present ‘democratic recession’, though Wolf argues that market liberalization generally signals an era of optimism, making democratic politics less conflictual, while trade retrenchment usually coincides with periods of tension, fear and anger. Instead, he draws the lesson that globalization itself is not to blame for democracy’s problems. If the underlying causes of the 2007–12 crisis were ‘huge (and insufficiently understood) shifts in the world economy’, they were transmitted via ‘a grossly undercapitalized and under-regulated financial system’, and its fallout could have been managed differently. The regionally concentrated impact of the ‘China shock’ upon industrial America—2 million jobs lost, with minimum social support—made it particularly severe; but this was only one aspect in a larger process of slowdown: weak income growth, low social mobility and rising household debt for middle and lower earners, compounded by growing inequality, driven primarily by huge gains at the top of the distribution, declining male labour-force participation rates and a broader loss of good jobs. This ‘hollowing out of the middle classes’—the ‘middle element’ that Aristotle considered the foundation of a strong and well-run state—explains the erosion of public trust in democratic institutions.

Shifting perspective once again, Wolf pins the blame for this economic malaise not on 1980s liberalization itself but on the domestic institutional forms it took. The root of corruption was the Friedmanite shareholder-value agenda, which led to a profound shift in the aims of the firm: distorting incentives towards leverage and short-termism, it encouraged investors to act as rent-seeking asset-strippers, drove agglomeration and financialization, and ultimately ushered in a globalized rentier capitalism. This central chapter, ‘Rise of Rentier Capitalism’, is the analytic hinge of the book, offering an explanation for the developments documented since 1980—above all ‘the tendency of the powerful to rig the economic and political systems against the rest of society’. The expanding financial sector became ‘a vehicle for rent extraction’ rather than productive improvements, generating over 20 per cent of total corporate profits, not least by leveraging to hedge against the volatility it had stoked; in Q1 2021, the gross market value of derivatives

was over \$12 trillion. Agglomeration and winner-takes-all markets allowed the most successful businesses to dominate swathes of the globe and generate massive monopoly rents. In socio-geographic terms, this produced a few booming metropolitan clusters and thousands of declining provincial towns. The monopsony power of firms in labour markets and ‘undue’ protection of intellectual property shielded the decline in competition. Large firms have become specialists in exploiting loopholes for tax evasion, while benefiting from the state’s provision of public goods and externalizing costs, including onto workers.

The hope that democratic processes might regulate firms to offset these processes ‘assumes a neutral political process in which well-intentioned legislatures respond to the choices of well-informed voters’, Wolf writes. ‘Nothing could be further from reality.’ It is all too easy for large firms to buy the political and regulatory protection they desire; Congressmen, he notes, spend thirty hours a week raising money. The financial sector has become increasingly dependent on political backing: ‘That profits have remained so high subsequent to the crisis must be due in large part to the immense support provided by the authorities, especially the near-zero interest rates that have been in effect for so much of the time, as well as the still gigantic balance sheets of financial institutions.’ Rather than being exemplars of ‘duty, fairness, responsibility and decency’, the erosion of elite moral standards is such that these bankers now see themselves as involved in a status game. This scale of rent extraction and maldistribution—far greater than could have been imagined in 1980—has left a large part of the population ‘confused, frustrated and angry’.

All this led to a dangerous populist reaction. But Western democratic capitalisms are now threatened externally as well by two other variants: ‘demagogic authoritarian capitalism’, or DAC, of the sort that has emerged in Turkey, the Philippines, Poland, Russia and Hungary—which they might become; and ‘bureaucratic authoritarian capitalism’, or BAC, the type that has developed in China and Vietnam, which might defeat them. In this context, Wolf now regrets the 1980s weakening of trade unions and hollowing of traditional parties. He endorses Martin Baxter’s claim that contemporary politics has shifted from being a one-dimensional struggle fought on economic issues—counter-posing a centre right, backed by business, the professional middle class and the self-employed, to a centre left, based in the industrial working class—to a three-dimensional struggle, in which conflicts occur in the economic, social and national dimensions. This, argues Wolf, makes politics more identity based, with a ‘Brahmin Left’, as Piketty terms it, now opposed to a ‘Merchant Right’ and an atomized working-class remnant.

The task therefore is to save both liberal democracy and global capitalism together. Wolf’s beacon here is Karl Popper and his concept of ‘piecemeal

engineering'. This requires 'expertise', but there is also an important role for 'public engagement', both to help formulate goals and to elicit consent from the masses for carrying them through. Renewing capitalism requires, first, a rising standard of living, which in turn will need a substantial level of 'high-quality investment'—to be spurred by income redistribution, negative deposit and lending rates as incentives for private investment; direct monetary transfers from the central bank to the government and a combination of 'tax cuts and higher spending, especially on public investment'. A series of local and national investment banks could help to provide good jobs ('for those prepared to work'). Better education—and 'special opportunities for exceptional children'—will help promote equality of opportunity. The welfare state, suggests Wolf, should be 'rounded out' to provide health, old-age and accident insurance, but 'should not encourage idleness or fecklessness'. Finally, reversing the shareholder-value revolution, reining in executive pay, pursuing anti-monopoly policies and regulating algorithms in the tech sector will help to end 'special privileges for the few'.

Wolf also endorses constitutional reform. Bi-cameral legislatures should be replaced with tri-cameral ones: an elected House of Representatives would produce the government and initiate legislation, on the model of the House of Commons; an appointed House of Merit, consisting of 'people of exceptional achievement in a wide range of civic activities', could delay and amend representation, like a reformed House of Lords. The third, a House of the People whose members would be chosen by sortition, could 'delay legislation' and 'consider controversial questions', but otherwise would be powerless. Democracy cannot work without robust safeguards, of which the most important are not the words of a constitution, which can be politicized and subverted, but 'the hearts and minds of the people, and especially of the elites.' The book ends with an appeal to the latter:

Members of a functioning elite, which includes the business elite, need wisdom as well as knowledge. Above all, they need to feel responsible for the welfare of their republic and its citizens. Indeed, if there are to be citizens at all, members of the elite must be exemplars. It is not hard: instead of lies, honesty; instead of greed, restraint; instead of fear and hatred, appeals to what Abraham Lincoln called 'the better angels of our nature'.

What to make of all this? First, it is important to understand that *The Crisis of Democratic Capitalism* is a pedagogical text: a sort of mirror for princes, held up to the 'elites'—a 'we' constantly addressed but never specified. Wolf marshals a considerable amount of evidence to shame this collective pronoun into rectifying its bad behaviour and embracing 'reasonableness'. Thus, the international monetary system needs to handle cross-border capital flows in 'a reasonably safe manner'; 'what is needed is a

reasonably complete system of social protection'; 'why people of immeasurable wealth should fight so hard not to pay taxes is beyond the understanding of any reasonable person'; 'it is reasonable to be of two minds on the advisability of tax deductibility of gifts'; 'there is no obvious reason why all these rents should accrue to the shareholders and top managers.' Wolf never says what a 'reasonable' level of safety, a 'reasonable' amount of social protection, a 'reasonable' understanding of tax evasion or gift deductibility, or a 'reasonable' degree of rent extraction might be. It is clear, however, that 'reason' in this context refers to something different and thicker than what might be considered merely 'rational'. The standard here is more Burkean, something like a pre-existent, self-evident but unarticulated consensus. (This pedagogical imperative helps to explain the puzzle of Wolf's strained metaphor of the symbiotic twins' marriage, compounded in his historical account of one twin giving birth to the other. Why should such a capable thinker indulge in such conceptual confusion? The mystery is solved once we think of it as a figure in an after-dinner speech to well-banqueted asset-fund managers.)

With this ideal audience in mind, let's turn to the analytic challenge of the book. Its ambition, to relate the etiolation of democratic politics in the rich world to the lopsided development of capitalism, protects Wolf against weak culturalist explanations resting on the putative racism or xenophobia of the mass of the population. As he rightly stresses, the crucial difficulty with primarily cultural explanations is that they fail to answer the obvious question: why now? Does Wolf's analysis, however, explain what is happening any better? We might begin by asking how he understands his key terms, capitalism and democracy. The first is referenced by a cluster of concepts: 'capitalism', 'market capitalism', 'democratic capitalism', 'predatory capitalism', 'competitive capitalism' and 'rentier capitalism', as well as DAC and BAC. To begin with, capitalism for Wolf is 'an economy in which markets, competition, private economic initiative and private property play central roles'. What is striking is how generic and unworkable this is as a tool for identifying any specific economic form. For of course competition, private economic initiative and markets played 'central roles' in both classical antiquity and the medieval world, without thereby leading to anything like economic growth. In particular, market expansion of itself has nowhere led 'forced labour' to become 'increasingly redundant'. It is enough to recall how the linking of Tsarist Russia, East Elbian Germany and the US Cotton South into global agriculture markets reinforced harsh labour regimes in each case. As Maurice Dobb put it: a concept of capitalism as primarily a *commercial* system is insufficiently restrictive to confine the term to any one epoch of economic history. Quite logically, given the conceptual vagueness of Wolf's implicitly commercial model, his attempt to periodize capitalism and create sub-varieties within it remains opaque.

This is particularly true of the key notion of ‘rentier capitalism’, which is nowhere explicitly conceptualized. Wolf instead offers descriptive tags, such as: ‘the tendency of the powerful to rig the economic and political systems against the rest of society’, ‘the exploitation of market and political power to achieve returns over the market price’, ‘rigged capitalism’ or simply ‘plutocracy’. The problem again is that all of these could apply to virtually any phase of any capitalist society, and to many pre-capitalist ones as well. Is there any social order where the powerful do not tend to ‘rig’ the economic and political system? Where have capitalists *not* exploited ‘market and political power’? What is ‘unrigged’ as opposed to ‘rigged’ capitalism? How does ‘plutocracy’ define a phase of capitalism, or even any specific form of class society? Wolf’s more detailed analysis of the new economy makes little headway. Financialization is a relatively new phenomenon, although Wolf does not explain where it came from. But the other features that Wolf attributes to rentier capitalism—agglomeration, monopsony, uneven development, tax evasion, cost externalization and a general ‘erosion of ethical standards’ are entirely non-specific. Although Wolf claims that ‘profit is not a good motivating goal for organizations’, the orientation toward profit has surely been the defining feature of capitalist firms since their beginning. The shareholder-value agenda seems to identify a more historically specific change, but it was championed at the time as a return to basics. The drive to internalize gains while externalizing losses similarly describes a straightforward capitalist *modus operandi*.

This non-specificity becomes critical when it comes to explaining the slowdown in growth itself, which for Wolf is a key to the crisis of democracy (and rightly belongs at the centre of any explanation). To his credit, Wolf fully acknowledges the problem. ‘There is little sign’, he writes, ‘of the sorts of innovations that would generate an explosion in high-wage, rent-sharing jobs for less-skilled people.’ But why is this so? What tendency has found expression in structural stagnation? Wolf has no answer, in part, one suspects, because he has no adequate analysis of what distinguishes the current phase of ‘rentier capitalism’, or, as I have suggested, even capitalism as such, from what came before. The ‘decline in productivity growth is deep and structural’, we are told. ‘The dynamic capitalist economy of old has just become elderly.’ Such non-explanations, or empty but explanatory-sounding phrases, proliferate throughout the chapter on rentier capitalism, reaching their apogée with the following passage:

Thus the underlying problems have tended to become worse over time, not better. They are deep-seated, reflecting, as they do, macroeconomic imbalances that are themselves the result of global economic integration, the rise of China, the emergence of a globalized form of rentier capitalism and increases in income inequality.

These words mask a muddle. What ‘macroeconomic imbalances’, and how are these the result of ‘economic integration’? How does globalized rentier capitalism differ from non-globalized rentier capitalism? Should we be focused on globalization or rentier capitalism (even if we could be clear about what this latter term means)? Wolf remains silent about what the underlying deep-seated problems are. Furthermore, the statement appears to exist in a strange world in which an unnamed noumenal ‘structure’ exists *atop* phenomena that it ‘reflects’: a Kantianism planted firmly on its head. Who could navigate this hall of mirrors?

We run into a different set of problems with democracy, or more precisely ‘liberal democracy’. For Wolf, this is defined as a system with ‘free and fair elections; active participation of people, as citizens, in civic life; protection of the civil and human rights of all citizens equally; and a rule of law that binds all citizens equally’. This is of course a common enough description, particularly among anglophone political scientists. The conceptual problem here is not that the notion is too generic; rather, it is that it combines a variety of things which either have little internal relationship, or are in active opposition to one another. Wolf, like many liberal thinkers, tries to neutralize these tensions by constructing an abstract descriptive checklist. But this fails. Few would argue for ‘rigged and unfair’ elections, but are ‘free and fair’ ones intrinsically democratic? Only according to the dogma that equates a *method* (elections) with the *goal* (the rule of the people). The Greeks of course associated elections with oligarchic rule; only rule by lot was democratic. Is ‘free and active participation of the citizens in civic life’ necessarily compatible with respect for rights and the rule of law? Such participation, think of the events of January 6 in the US, can be both free and active, but oriented against the law, and against rights. More generally isn’t the rule of law as a set of principles that ‘binds all citizens equally’ a quite undemocratic idea? Surely the democratic method is one in which the people are unbound by any such hypostatized institution?

Wolf’s conglomerate understanding of democracy as ‘liberal democracy’ leads to further problems for his attempt to specify the connections between it and capitalism. He claims, in the first place, that democracy and capitalism rest on common ‘underlying values’, equality of status and individual freedom. But equality of status—the post-feudal condition that Tocqueville identified in 1830s America, but also regarded with substantial scepticism—is a sociological category, not a principle, while individual freedom is not a democratic value but a liberal one. John Stuart Mill was famously sceptical about the extension of suffrage to the working class, precisely because of the potential threat that this posed to the liberty of property holders. For the giants of nineteenth-century liberalism, censitary suffrage was not, as Wolf would have it, ‘transparently ridiculous’. It was understood in that tradition as

a central means of protecting individual freedom against the threat of those without property and the tyranny of religious dogmatism. It is no accident that no nineteenth-century liberal did as much for the cause of universal suffrage as those two very illiberal figures, Napoleon III and Bismarck.

Wolf's further arguments about the connection between capitalism and democracy are weak for the opposite reason. He claims that some combination of a rising standard of living and the emergence of the working class, both caused by capitalism, led people to express a desire for a 'voice'. The problem with this argument is that, although the nineteenth century saw many movements for the expansion of political rights, they were by no means universally supportive of liberalism, especially where they were most closely associated with the emerging capitalist class structure. The notion that the organized working class was a champion of *liberal* democracy is barely true even for the British case, where working-class representatives were actually incorporated as a junior wing of the Liberal Party. The most organized working classes—in *belle époque* Italy and Germany for example—aimed to establish socialist democracy, conceived as a political order beyond liberalism. In the US, which Wolf describes repeatedly as the world's most important democracy, organized workers as such have had virtually no impact on the political order. The key social force for democratic expansion in the nineteenth century was the farm population (as was also true in a different way for France).

Wolf's conceptual and terminological ambiguity here serves to mask the fact that he is mostly concerned not with the fate of democracy, but rather with defending a particular brand of liberalism. This is most obvious in the minimal reforms he proposes; the mountain of democratic-capitalist crisis gives birth to a mouse. Most of his prescriptions for 'renewing capitalism'—promoting investment, NIBS, a slimline welfare state—are already in operation, including green and diversity-sensitive revisions to the shareholder agenda. 'Renewing democracy' is in favour of fair voting, but Wolf's emphasis falls on 'professional politics, disinterested expertise, independent institutions'. His sanitized House of Merit is clearly an anti-democratic institution on any natural understanding of that latter term. Surprising too, from the point of view of democracy, is Wolf's embrace of the principle of 'subsidiarity'. The author praises a handful of small rich countries, Denmark of course leading the list, for being able to 'combine the benefits of *global scale* in business operations with those of *small scale* in politics'. But 'governance also needs to be transferred upward if states are to serve the interests of their people'. Effectively this presents one of the key elements of the contemporary crisis of democracy, the hollowing out both from above and from below of what Streeck has termed the small and mid-sized European nation states, as a political ideal. In this Wolf exemplifies

a common trait of liberal commentary on the contemporary moment: the uncritical embrace of those very features of the political order that have caused the hated 'populist reaction'.

Finally, it is worth dwelling for a moment on the gulf between the analytic sections of the book and its programme of elite pedagogy, rooted in the 'reasonableness' of the upper crust. The reader is first told that the 'problems are deep and structural', that the historical phase of the welfare state has passed and that the marriage of capitalism and democracy was late and difficult. But Wolf's political prescription says that solutions are 'not hard' and that the programme should be essentially a modernized version of the mid-century settlement. Stranger still, Wolf's conclusion attributes the crisis of democracy in part to 'elite failures and malfeasance' and explains Trump and Brexit as the result of 'forty years of elite failure'. But as even the most casual reader of Piketty would be aware, the 'elites' have succeeded stupendously over this period. To admit that, of course, would suggest a political solution beyond civic lessons for the ruling bloc. It points to the need for a popular subjectivity, which in Wolf's universe is one of the main threats to 'liberal democracy'. Whatever else one might say about the current period, the political nature of the distribution of social and economic power has never been more obvious. To leave these questions in the hands of 'policy makers' and 'disinterested experts' would represent not democracy's resurgence, but rather its defeat.