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The Waning of Liberal Capitalism?

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ABSTRACT. This paper examines the relationship between liberalism as a form of government and capitalism as an economic system to inquire whether this tight evolving historical connection is beginning to dissolve. It provides a brief history of the relationship to suggest that there are good reasons that it might be waning. Capitalism and democracy, once seen as mutually reinforcing, are now at a crossroads: the global financial crisis, the rise of digital economies, the exacerbation of economic inequalities, and the influence of autocratic capitalism present formidable challenges to the liberal democratic order. The historic alliance of these two systems seems to be coming apart with the challenge to this privileged relationship by the rise of autocratic capitalism that suggests liberal democracy represents only one of several potential models for organizing political and economic life in the modern world.

Keywords: liberalism; capitalism; liberal capitalism; autocratic capitalism; compatibility of political and economic systems

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1. Introduction: Liberal Capitalism and the Changing Relationship between Liberal Democracy and Capitalism

The intertwining of economic and political systems over centuries forms a complex history of the evolution of British liberalism and liberal capitalism, shaping the modern world's economic and political landscape. This narrative begins with the historical roots of British liberalism, tracing back to the Magna Carta, and the breakdown of feudalism that paved the way for early market exchanges. These developments laid the groundwork for a relationship between economic freedoms and political expression that would evolve significantly over time. In the 17th century, this relationship matured with the emergence of liberal political economy, as thinkers like John Locke, Adam Smith, and David Hume articulated the principles of economic freedoms within a liberal jurisprudence framework. Their ideas represented a pivotal moment where economic systems and political systems became deeply intertwined, advocating for the rights of individuals to trade freely and own property under the protection of a legal system that recognized these rights as fundamental.

The ideology of "free trade" further enhanced this relationship, expanding beyond the borders of Britain through the conquest of colonies and the early slave trade. This expansion was not just a pursuit of economic gain but also a projection of the political and economic ideologies that underpinned British liberalism. The 18th and 19th centuries saw liberal capitalism shaped by an international system developed from trade with these colonies, signifying the global reach of these intertwined economic and political systems. After World War II, the relationship was cemented by the Bretton Woods settlement, which established foundational institutions such as the World Bank (WB), the International Monetary Fund (IMF), and subsequently the World Trade Organization (WTO). These institutions aimed to stabilize the post-war global economy, promote free trade, and ensure economic cooperation, reflecting the liberal capitalist ideals of free markets and political freedom on an international scale.

The post-Bretton Woods world order, established in the aftermath of World War II, marked a significant shift in the global economic and political landscape. The Bretton Woods Conference of 1944 led to the creation of a new international monetary system, laying the foundation for economic relations in the latter half of the 20th century and beyond. This new world order based on key institutions later to include the General Agreement on Tariffs and Trade (GATT), which eventually evolved into the World Trade Organization (WTO) in 1995, was established to regulate international trade. The Bretton Woods system established fixed exchange rates for currencies, pegging them to the US dollar, which was in turn convertible to gold at a fixed rate but this system eventually proved unsustainable, leading to its collapse in the early 1970s and the transition to floating exchange rates where currencies fluc-

tuate in the market. It marked the beginning of the neoliberal era in the early 1980s first introduced by Margaret Thatcher (UK) and Ronald Reagan (US). The post-Bretton Woods era saw an acceleration of globalization, characterized by an increase in cross-border trade, investment, and financial flows under the influence of neoliberal policies. Economic liberalization, including the reduction of trade barriers and the deregulation of markets, facilitated this process, contributing to the integration of global markets and the spread of capitalism.

While the post-Bretton Woods world order has been associated with significant economic growth and the spread of prosperity in many regions, it has also faced criticisms and challenges over the stability of the global financial system, the environmental impact of unfettered economic growth, and issues of inequality both within and between countries. The evolving global context, marked by emerging challenges such as climate change, technological advancements, and geopolitical shifts, poses questions about the future of global governance and the adequacy of existing institutions to manage these challenges. The post-Bretton Woods world order continues to evolve, reflecting the dynamic interplay between national interests and global cooperation needs.

The dissolution of the Bretton Woods fixed exchange rate system in the early 1970s and the subsequent shift towards neoliberal policies have had profound impacts on this relationship between liberal democracy and capitalism. As remarked, the transition from the Bretton Woods system to a regime of floating exchange rates marked the beginning of the neoliberal era, characterized by deregulation, privatization, and the reduction of state intervention in the economy. The neoliberal agenda facilitated the globalization of capital, the liberalization of trade, and the integration of global financial markets but this neoliberal transformation had mixed implications for liberal democracy. On one hand, the economic liberalization and growth it spurred contributed to the spread of democratic governance, especially in the late 20th century. The promise of prosperity and political freedom led many countries to adopt both market-based economies and democratic institutions. On the other hand, the intensification of globalization and the dominance of market logic have posed challenges to traditional democratic values and mechanisms (Peters, 2011). Economic inequality, both within and between nations, has increased, leading to social discontent and questioning the equity of capitalist systems. The power of multinational corporations and financial institutions has sometimes eclipsed that of nation-states, complicating efforts to regulate and control economic activities for the public good.

The post-Bretton Woods era has also seen the rise of financialization, a process where financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes. This has led to economic crises, such as the 2008 global financial crisis, which have tested the resilience of liberal democracies and exposed the vulnerabilities of

economies heavily dependent on the financial sector leading directly led to what some commentators describe as a crisis of liberal democracy (Peters et al., 2015). The crisis is characterized by growing disillusionment with democratic institutions, the rise of populist and authoritarian leaders, and a backlash against globalization and the neoliberal consensus. The perceived inability of liberal democracies to effectively address economic inequality, manage the impacts of globalization, and prevent financial crises has contributed significantly to this sense of crisis.

There is a growing debate about the future of liberal capitalism and the need for reforms to ensure that the benefits of economic growth are more broadly shared and there have been proposals to strengthen regulatory frameworks and invest in social welfare (Piketty, 2014) although there has been remarkably little exploration and discussion of alternative models of economic development that prioritize sustainability and equity that also recognize the transformation of capitalism as a system that seems to exhibit a growing incompatibility with liberal democracy and a greater symbiotic relation with other forms of government.

In the 20th and 21st centuries, capitalism has been widely adopted as the world's dominant economic system, albeit with variations in political systems. This period has seen capitalism adapt to operate within socialist and some communist countries, demonstrating its flexibility and the universality of its core principles. However, despite its economic successes, liberal democracy has faced significant challenges, including credibility issues, corruption, and democratic backsliding. These setbacks highlight the tensions and contradictions within liberal capitalism, as it strives to balance economic freedoms with political rights and governance.

The evolution of the relationship between economic systems and political systems through the lens of British liberalism and liberal capitalism reveals a dynamic and often contested history. From its roots in early market exchanges and the Magna Carta to the global spread of its principles through trade and colonization, and the establishment of international economic institutions, this relationship has shaped the economic and political structures of the modern world. Yet, as capitalism continues to evolve and adapt to new challenges, the future of liberal democracy remains an open question, reflecting the ongoing struggle to reconcile economic freedoms with equitable and just political systems. The relationship between liberal democracy and capitalism is a multifaceted and dynamic one, evolving through centuries of political, economic, and social transformations. This interplay has shaped and been shaped by various historical milestones and ideological shifts.

2. The Waning of Liberal Capitalism?

The intertwining of capitalism and liberalism, a saga that traces its lineage to the 17th century and earlier, has undergone a metamorphosis. Born in the epoch of liberalism, this relationship flourished alongside colonial ventures, epitomized by plantation capitalism, and burgeoned further with the advent of free trade and the crystallization of liberal political economy. Yet, the 21st century has witnessed a seismic shift in this nexus, with profound implications. Capitalism and democracy, particularly in the Western hemisphere, have shown their vulnerability and limitations. Democratic processes are marred by deficits, evidenced by the alarming ascendancy of far-right ideologies, the devastation of the Global Financial Crisis, and the pervasive influence of financialization. Moreover, the advent of algorithmic capitalism and an AI-driven digital economy has further distanced these bedfellows. The global capitalist system of the modern era is increasingly finding solace in arms that do not embrace the values of liberal democracy. Indeed, capitalism seems to have struck a chord with illiberal and non-liberal forms of governance, straying from the principles that once seemed inseparable from liberal democratic ideologies. These new alliances are emerging as formidable and efficient, often taking shape in capitalist enclaves where economic incentives, such as subsidies, are liberally applied, and individual rights are curtailed for the perceived greater economic good.

A growing schism between capitalism and democracy is evident in the current epoch of transnational digital capitalism. In this new age, behemoth corporations with valuations surpassing trillion-dollar marks wield more power than many nation-states. The conventional democratic fabric, which predicates on the distribution and checks of power, is ill-equipped to grapple with these colossal entities that defy national boundaries and traditional market regulations. This evolving landscape of global capitalism is predicted to reach its zenith in forms that diverge starkly from the democratic ideals of yore. We are witnessing the embryonic stages of what may be termed autocratic or authoritarian capitalism, a system that is gaining a foothold in regions spanning Asia, the Middle East, and Africa. Here, the reins of economic power are being consolidated by the state or state-aligned entities, rather than being dispersed as liberal democratic principles would dictate.

Thus, capitalism is not diminishing but is instead undergoing a transformation, molded by technological advancements, globalization, and shifts in political dynamics. The future trajectory of this capitalism-democracy relationship remains uncertain. Yet, it is evident that the symbiotic relationship between capitalism and democracy is facing unprecedented challenges. As the global landscape teeters towards a new economic paradigm, the interaction between economic systems and governance is being fundamentally redefined. The pressing question is not the survival of capitalism, but how it will evolve and the characteristics it will adopt. Whether capitalism will

emerge as a catalyst for democratic empowerment or foster new variants of authoritarianism is a critical inquiry that will shape the political and economic contours of the future.

The confluence of capitalism and democracy has been a defining characteristic of the modern world and as scholarly debate has revealed this relationship is fraught with tensions and is undergoing significant transformation. Robert Kagan (2018) argues that the liberal world order is not a natural phenomenon but a garden, which, if not tended, will be overrun by the jungle of nationalism and authoritarianism. The resurgence of authoritarian powers in the 21st century challenges the assumption that capitalism naturally aligns with liberal democracy. Kagan warns that the forces undermining democracy are perennial and require constant vigilance to maintain the order that supports capitalism as we know it. Francis Fukuyama (2014) tracks the evolution of political systems from the Industrial Revolution to the globalization of democracy. He suggests that while institutions have developed to support democracy, there is no guarantee they will continue without decay. Capitalism's relentless dynamism can lead to institutional degradation, as seen in the influence of money in politics and the resultant inequality that creates opportunities for authoritarian figures to emerge, promising to dismantle corrupt systems, often at the expense of democratic norms. Anne Applebaum (2020) posits that the allure of authoritarianism can seduce even those who once championed democratic ideals, as personal interests and the pursuit of power often trump collective democratic principles. Within capitalism, this manifests as the concentration of wealth and influence in a way that corrodes the egalitarian underpinnings of democracy, leading to a sense of disenfranchisement and a turn towards authoritarian remedies.

Thomas Piketty (2014) discusses the deep economic undercurrents that shape societies. He argues that capitalism has a natural tendency towards the concentration of wealth, leading to inequality that can destabilize democratic societies. This inequality is often exacerbated by globalized capital and can lead to disillusionment with democratic processes, as large segments of the population feel left behind. In *Ill Winds*, Larry Diamond (2019) identifies the threats that authoritarian regimes pose to the global order and to democracy itself. He highlights how state-led capitalism in authoritarian countries like China and Russia presents a model that can seem attractive to those disillusioned with the messiness of democratic capitalism, which often struggles with issues of inequality and inefficiency.

Drawing from these scholars, capitalism and democracy, once seen as mutually reinforcing, are now at a crossroads. The global financial crisis, the rise of digital economies, and the influence of authoritarian capitalism present formidable challenges to the liberal democratic order. The future will depend on our ability to reform and reinforce democratic institutions, address the inequalities produced by capitalism, and resist the seductive simplicity of

authoritarian solutions. The task is to tend to the garden of democracy with the awareness that the jungle, with its illiberal and authoritarian flora, is always ready to reclaim the land.

The capitalist system, thus, is not fading but instead transforming. It is adapting to and being shaped by the forces of technology, globalization, and political change. The future of this relationship is uncertain, but what is clear is that the once harmonious marriage between capitalism and democracy is confronting an unprecedented strain. As the world teeters on the brink of this new economic order, one thing remains certain: the rules of engagement between economy and governance are being rewritten. The question that now confronts us is not whether capitalism will endure, but how and with what new characteristics it will continue to shape our world. Will it be a force for democratic empowerment, or will it entrench new forms of authoritarianism? The answer to this will define the political economy of the future.

3. Is Liberal Democracy and Capitalism Still Compatible?

The historic alliance between liberalism and capitalism that looked permanently joined at the hip is coming apart, making walking on two legs more and more difficult for the West and especially for the defining core liberal democracies of US and UK. This is a complex process involving not only the recession of democracies, but the rise of autocracy and the development of new models of growth. It is premature to argue that this double erosion is leading to the end of the era of liberal capitalism and a troublesome relationship maintaining liberal democracies when capital is free floating where transnationals outsize the nation state. In short, the working hypothesis that capitalism and liberal democracy are being ripped apart requires close examination. First, the historical association that developed in Europe and especially with the development of civil society was based on the concept of freedom both economic and political as the basis of parliamentary democracy (free men), free trade, and the freedom of capital. Secondly, this historical relationship that developed after feudalism took root in the eighteenth century and grew to maturity in the European era of free trade reaching an apex with American capitalism and the emergence of a capitalist global market. Third, the rise of forms of Asian capitalism began to disrupt the assumption of the closely intertwined relationship between one form of government (liberal democracy) and capitalism. The assumption of liberal economics that China's economic miracle would result in the demand for personal political freedoms never eventuated. Fourth, new forms of government that are compatible with capitalism have developed quickly, where political freedoms are no longer seen as important or determining for markets, and the rise in a country's wealth and a strong sense of national order and security has led to the emergence of autocratic forms of capitalism. Now that

Trump has succeeded in securing the Republican candidacy and if he becomes President for a second term it looks likely that he will run the country more like a business which will create different geopolitics that favors autocratic capitalism with fall-out for liberal American foreign policy.

A comprehensive view of the shifting dynamics between liberalism and capitalism and their implications for global governance and economic systems needs to articulate a hypothesis that the historical alliance between liberalism – characterized by individual freedoms and democratic governance – and capitalism – with its free market and private ownership – is experiencing a fundamental change attributed to several interconnected developments including an understanding its historical foundations in Europe. The alliance of capitalism and liberal democracy, which found fertile ground in post-feudal Europe, was built on the principles of individual freedom, both in economic activities and political life. The system flourished alongside the development of civil society and parliamentary democracy. The model reached its zenith during the era of American-led global expansion when the United States emerged as a bastion of both liberal democracy and global capitalism, fostering free trade and the free movement of capital.

A huge challenge emerged with different forms of Asian capitalism. Asian economic models, particularly China's, have challenged the presumed link between economic liberalization and political freedom. China's rapid economic growth did not follow the expected trajectory toward liberal democracy, instead giving rise to a robust form of state-led capitalism. There is also a growing acceptance of governance models that align with capitalist economics but do not prioritize political freedoms. This has given rise to autocratic or authoritarian capitalist systems where a strong state hand in economic affairs coexists with limited political freedoms. This means the emergence of various forms of state-led capitalism where state-owned enterprises compete with domestic and foreign companies and the state provide both the long-term planning context with continuous assessment and the necessary infrastructure often in partnership with foreign interests.

The potential re-election of Donald Trump could signify a further shift in this dynamic, as his approach to governance – viewed by some as more transactional and business-like – will probably represent a dramatic move away from traditional liberal democratic values in the U.S.

These developments could be leading to a decoupling of the long-standing relationship between liberal democracy and capitalism. This hypothesis warrants closer scrutiny, as the implications of such a shift could be profound, potentially leading to a reconfigured geopolitical landscape where economic prowess does not necessarily equate to democratic governance.

This evolution raises critical questions about the future of liberal democracy and the global economic order. It suggests that the traditional Western approach, which has long intertwined political freedom with economic

liberalism, may need to adapt to a world where these elements are no longer automatically linked. The global rise of autocratic capitalism also poses challenges for maintaining liberal democracies in an era where transnational corporations wield power that rivals or exceeds that of nation-states. We need a careful and nuanced analysis of these trends, suggesting that the international community must carefully evaluate the changing nature of capitalism and democracy and their relationship to ensure a stable and equitable global order.

The Harvard Business Review (2020) conducted a review by various scholars on the relationship between capitalism and democracy, and their evolution in the 21st century with Isabelle Ferreras who argues that capitalism and democracy are fundamentally different systems: while democracy is based on equality in dignity and rights, capitalism is inherently unequal, granting political rights based on capital ownership. Ferreras (2020) emphasizes that capitalism's core institution, the firm, disenfranchises labor investors (workers), leading to a concentration of power and financial returns in the hands of capital investors (shareholders). Ferreras (2020) suggests expanding democratic commitment to corporations by including labor representation alongside capital investors. By contrast, Isabel V. Sawhill (2020) contends that capitalism and democracy need each other for survival but acknowledges that democracy is currently more threatened. She argues that while capitalism is effective for organizing economies, it fails to address societal issues like inequality and climate change. The erosion of trust in democratic governments, she warns, can lead to political instability and further threaten capitalism.

Archon Fung (2020) questions the coexistence of democracy and capitalism, suggesting that capitalist democracies with greater political equality appear less capitalist, as seen in "social democracies." He points out that in societies with both systems, maintaining political equality against capitalism-induced economic inequality is a significant challenge. Reetika Khera (2020) highlights the appealing promises of democracy compared to capitalism. She observes the rise of authoritarian governments and stark inequalities as failings of democracy influenced by crony capitalism. Khera (2020) argues that capitalism needs a façade of democracy, as plutocracies often disguise themselves as democracies. Manuel Agosin (2020) notes that capitalism can survive without democracy, as seen in authoritarian states like China and Russia. However, he points out that such a system often leads to corruption and resource control through non-meritocratic means. Agosin emphasizes the importance of true democracy in correcting capitalism's ills and ensuring that finance serves the real needs of citizens. Steven Klein (2020) observes that while capitalism can thrive without democracy, as evidenced by China and Hungary, it needs democracy to save it from its own crises. Klein discusses the historical evolution of democracy and capitalism, noting that

democracy's expansion has historically been partial, often limited by capitalist interests.

These scholars provide a snapshot and nuanced understanding of the complex and evolving relationship between capitalism and democracy, highlighting the tensions, contradictions, and interdependencies between these two systems in the 21st century that embrace a variety of theoretical positions on the relative value of capitalism and democracy and their compatibility or otherwise, yet all agree that the relationship is fundamentally changing.

4. The Transformation of World Capitalism

The changing nature of global capital, marked by the emergence of trillion-dollar corporate entities, the rise of global equity companies, national wealth funds, and the dominance of digital and AI-driven big tech, signifies a profound transformation in the global economic landscape. This shift encompasses several key trends that not only redefine the scale and scope of corporate and financial power but also challenge traditional notions of sovereignty, regulation, and economic governance. The transformation of world capitalism touches upon several complex and deeply interwoven trends that are reshaping global economic, political, and social landscapes. First, the concentration of economic power in companies like BlackRock, with vast assets under management, has unprecedented influence over global markets and corporate governance. This concentration of economic power in the hands of private equity firms and investment managers represents a significant shift in the control and flow of global capital. The sheer scale of these entities means their investment decisions can impact national economies, influence economic policies, and shape the direction of industries worldwide. Their global reach challenges traditional concepts of national economic sovereignty. National wealth funds, representing state-owned investment vehicles, play an increasingly significant role in international finance, investing in a range of assets globally. Their activities reflect a blend of national interests with global financial strategies, illustrating complex interactions between state sovereignty and global capital markets.

Second, the rise of digital and AI Big Tech as new economic powerhouses reinforce this concentration of economic power. Companies in the US and China, such as Amazon, Alibaba, Google, and Tencent, have grown to surpass the economic size of many nation-states. Their dominance in digital and AI technologies positions them as key drivers of economic, social, and even political trends and posing regulatory challenges. The global influence of these tech giants raises questions about regulatory jurisdictions, data sovereignty, and the capacity of states to enforce laws and protect citizens' rights in the face of multinational digital empires. The rise of multinational technology companies has significantly impacted the power dynamics between

corporations and nation-states. This shift challenges traditional notions of sovereignty, as these corporations influence global politics, culture, and economics, sometimes in ways that bypass or directly confront state authority. Their ability to control vast amounts of data and set the terms for privacy, speech, and commerce on a global scale has raised questions about accountability, regulation, and the balance of power in the digital age. It is also clear that non-Western states entertain different relationships with Big Tech able to offer privileges of long-term relationships based on special economic zones as well as cheaper labor and, even perhaps, greater stability and protection from flip-flop policies of two-party democracies. The expansion of data centers and the increasing importance of data as a key economic resource underscore the shift towards an economy where information and its analysis are central to value creation. Advances in AI, semiconductors, and quantum technologies as strategic technologies are setting the stage for the next wave of economic and military power, with leading companies and countries vying for dominance and the merging of biological and digital technologies opens new frontiers in healthcare, agriculture, and materials science, potentially reshaping industries and societal norms. Much of this strategic development require heavy state investment and encouragement in providing infrastructure and the correct mix of incentives for footloose multinationals, often perceived as much easier for 'autocratic' regimes to manage.

Third, financialization which refers to the increasing dominance of financial actors, markets, institutions, and motives in the economy, overshadowing traditional industrial and productive sectors has led to the rise of algorithmic capitalism, where decisions about investment, production, and distribution are increasingly made by algorithms and artificial intelligence, further deepens this trend. The investment rush in generative AI and data centers signifies a shift towards an economy where data and digital infrastructures become central assets. This transformation highlights the growing importance of intangible assets and the role of technology in driving financial markets and economic outcomes. As I have argued (Peters et al., 2011; Peters, 2013, 2015, 2017), high-frequency algorithmic trading firms investing in fintech have leveraged the nexus of high-speed communications, mathematical advances, trading, and high-speed computing permitting them to complete trades at lightning speeds. Computerized quantitative models can identify which type of financial instruments to buy or sell as well as the quantity, price, timing, and location of the trades. I call this 'Algorithmic Capitalism in the Epoch of Digital Reason' and argue it increasingly poses huge regulatory and equity challenges for liberal democracies (Peters, 2017).

Fourth, Chinese or Russian Models offer attractions for Arab and BRICS countries over Western neoliberalism. After the failure of the Arab Spring some Arab countries and other states have shown increased interest in the Chinese or Russian models of governance and economic management

over Western neoliberal approaches. This shift can be attributed to several factors, including the appeal of economic models that promise stability, growth, and state-led development without necessarily adopting Western-style liberal democracy. These models offer an alternative that combines authoritarian governance with market-oriented policies, challenging the neoliberal consensus that has dominated global economics since the late 20th century. This movement is particularly interesting in mapping the growing influence of Arab states through national wealth funds investment and recent inclusion in the BRICS (Peters, 2023a; 2023b).

Sixth, the poverty of ideas in Western states and the perceived lack of innovative responses by Western states to the evolving global landscape highlight a broader crisis of ideas and confidence. Western democracies are grappling with how to reconcile the principles of liberal democracy with the realities of a globalized capitalist economy that often seems at odds with democratic values and social welfare. The challenge lies in finding ways to ensure that capitalism serves the broader interests of society, rather than exacerbating inequality and undermining democratic institutions. This involves rethinking economic policies, regulatory frameworks, and the social contract to address the disparities and dislocations caused by global capitalism.

Discussion

The adaptability of capitalism to various political systems underscores its resilience and flexibility as an economic system. While capitalism historically evolved alongside liberal democratic institutions in the West, its core mechanisms of private ownership, market competition, and profit maximization can operate under a range of governmental forms. This compatibility with both liberal and illiberal regimes suggests that the challenge for the 21st century may not be about the survival of capitalism as an economic system but about how different societies choose to regulate and shape its impact to align with their values and objectives. The transformation of world capitalism is a multifaceted phenomenon that reflects deeper shifts in technology, governance, and global power structures. Addressing these challenges requires a reimagining of economic policies and governance models that can harness the benefits of capitalism while mitigating its excesses and ensuring it serves the broader interests of society.

These trends indicate a profound shift in global capital and its relationship with different political systems. Liberal capitalism, characterized by free markets, private property, and limited government intervention, has undergone profound change and now faces some daunting challenges. The realization that liberal democracy is just one of several possible arrangements of political economy in the modern world is an indication that Western governments

must search for more viable growth models that do not compromise their basic values.

The realization that liberal democracy represents only one of several potential models for organizing political and economic life in the modern world underscores a critical juncture for Western governments. This understanding compels a reevaluation of growth models that can sustain economic development without undermining the core values of freedom, equality, and justice that liberal democracies cherish. Western governments are increasingly recognizing the importance of inclusive growth that benefits a broad spectrum of society. This approach emphasizes policies that ensure economic gains are widely shared and that address the inequalities exacerbated by previous models of economic development. Inclusive growth strategies focus on improving access to quality education, healthcare, and opportunities for social mobility, aiming to create a more equitable society where prosperity is not confined to a wealthy elite. There have been several attempts to dress this demand in the clothing of an era of popular capitalism, difficult to achieve given the trends for the increasing concentration of wealth in Western societies.

Sustainability has become a central concern, with the recognition that economic growth must not come at the expense of environmental degradation. Western governments are exploring growth models that prioritize renewable energy, conservation, and green technologies. This shift towards sustainability not only addresses the urgent challenge of climate change but also opens up new industries and job opportunities, potentially driving economic growth through innovation in sectors like clean energy, sustainable agriculture, and circular economies. Sustainability in concert with digital transformation offers some hopeful possibilities.

The digital transformation presents both opportunities and challenges for economic growth. Western governments are investing in digital infrastructure, education, and innovation to harness the potential of technologies like AI, blockchain, and the Internet of Things (IoT). However, they are also increasingly aware of the need to regulate these technologies to protect privacy, prevent monopolies, and ensure they contribute positively to society. This includes policies that encourage ethical technology development, digital literacy, and access to digital resources for all citizens.

The changing landscape of work, driven by AI, automation, the gig economy, and globalization, calls for a rethinking of the social contract. Western governments are considering how to provide security and support for workers in this new economy, including through universal basic income (UBI) experiments, retraining programs, and updated labor laws that reflect the reality of flexible and often precarious work arrangements (Peters et al., 2019). This renewal of the social contract aims to balance flexibility with

security, ensuring that the benefits of economic growth do not come at the expense of worker rights and welfare.

Recognizing the importance of civic engagement and trust in sustaining democratic institutions, some Western governments are exploring more participatory forms of governance. This includes mechanisms for direct democracy, such as referendums and citizen assemblies, and efforts to increase transparency and accountability in government decision-making. By involving citizens more directly in the political process, these efforts seek to renew faith in democracy and ensure that economic policies reflect the will and interests of the broader population. In a globalized world, no country can address the challenges of modern political economy in isolation. Western governments are looking to strengthen international cooperation and multi-lateral institutions to tackle global challenges such as climate change, international trade, and cybersecurity. By working together, democracies can set global standards and norms that reflect their values and interests, promoting a model of economic growth that is sustainable, inclusive, and respectful of human rights. The realization that liberal democracy is not the only model for organizing society is leading Western governments to explore new growth models that do not compromise their fundamental values. These models seek to integrate economic development with social equity, environmental sustainability, and technological ethics, aiming to create a more resilient, inclusive, and democratic society.

The rise of state-influenced market economies, the regulatory challenges posed by multinational corporations, and the blurring lines between public and private sectors suggest a complex and evolving landscape. The scale and influence of global capital challenge traditional notions of state sovereignty and the ability of nations to independently govern their economies and protect public interests. The transnational nature of these challenges underscores the need for international cooperation and coordination in regulation, taxation, and governance to ensure that the benefits of technological and economic advances are broadly shared and do not exacerbate inequalities or undermine democratic institutions. The relationship between global capital and political systems is undergoing a significant transformation, calling for innovative approaches to governance, regulation, and international collaboration to navigate the complexities of the 21st-century global economy and governance.



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Compliance with ethical standards

This article does not contain any studies with human participants or animals performed by the author. Extracting and inspecting publicly accessible files (scholarly sources) as evidence, before the research began no institutional ethics approval was required.

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