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Dynamics of Democracy and Inequality in the context of Globalization by Dena Freeman

Below are excerpts from a paper presented at the International Inequalities Seminar, London School of Economics, 21 March 2017.

“The work of a number of economists has documented the huge increase in inequality that has taken place in many parts of the world since the 1970s. This paper is concerned with the question of why economic inequality has increased so dramatically in recent decades.

The situation appears rather paradoxical because this upswing in inequality has taken place at the same time as a major spread of democracy worldwide. Democracy has long been assumed to lead to reductions in inequality. And yet in the post-1970s era we are seeing a significant increase in inequality in both the long-established democracies and also in the new ‘third wave’ democracies in Latin America, Eastern Europe and elsewhere.

Neoliberal globalization was initiated in the 1970s. A fundamental idea of neoliberalism is that ‘the economy’ is scientific and neutral and that the dynamics of growth are a technical matter that can be understood and modelled by calculations and formulae.

A key part of this is the idea that the ‘economic’ should be kept separate from the ‘political’. Thus neoliberalism calls for a re-structuring of the state in order to increasingly free the economic from political constraints. This idea, as I will discuss more below, has been fundamental in the post-1970s restructuring of the state. And in the process it has led to the removal of large areas of economic policymaking from democratic oversight.

In order to understand the rise in inequality that has occurred in the post-1970s period of globalization it is necessary to look at the way that democracy itself has changed in this period. A basic tenet of democratic theory is that “the fate of a national community is largely in its own hands” (Held 1995:13). In the context of the neoliberal globalization of production and finance in the post-1970s period, this is becoming less and less the case. Instead, globalization has led to a process of economic de-democratization. I am not claiming that there has been a complete erosion of democracy, or that states have been washed away by global capital. Rather, decisions regarding the organization and functioning of economic matters have become less subject to democratic influence. I will discuss three major ways that this has happened – by the direct removal of certain economics matters from political control, by

increasing restrictions on the policy options available to policy-makers, and by transformations in the structure of the policymaking process itself.

All of these changes add up to a really rather significant transformation in the nature of democracy. The policy-making prerogative of states has been redistributed ‘up’ to the supranational level, ‘down’ to lower state levels and ‘across’ to the market. And in contrast to the state, these new arenas of decision-making are largely insulated from democratic control. In this way economic issues have been de-politicized and increasingly removed from the arena of electoral politics. Furthermore, in each of the shifts that I have discussed the representation of capital in economic policy-making has been significantly increased, while that of labour has been correspondingly decreased. Thus I would contend that we are not just seeing a transformation of democracy, as some scholars have argued, but rather that we are witnessing a process of dedemocratization. In all of the changes that I have documented, the representation of capital has increased while the representation of labour has decreased. Thus economic policies have increasingly been made in the interests of capital and the class compromise of the post-war period has been undermined.

These structural, political changes, I contend, are the fundamental reasons that underlie many of the more proximate causes of the upswing in inequality. If this analysis is correct, it has major implications for how we should go about tackling the contemporary rise in inequality. It implies first and foremost that in order to reduce inequality it is imperative to democratise economic policy-making at both the global and the national level. This would mean devising ways to both democratize global economic governance and to re-democratize national level economic governance. It could involve a process of bringing policy-making back from decentralised networks and into state structures at the national level, alongside the creation of state-like structures at the global level which would be able to regulate global capital for the good of society and through which policy alternatives, such as global social democracy, could be democratically debated - possibly in some sort of global parliament. Or it could involve devising ways to democratize decentralised policy-making in national and global policy networks and in national and international financial organizations. However it is done, if we are serious about tackling inequality then we must be serious about democracy.”

To watch the complete presentation visit http://tiny.cc/Dynamics_of_Democracy

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