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Populism or Embedded Plutocracy? The Emerging World Order

Michael Lee
CUNY Hunter College

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Draft: Populism or Embedded Plutocracy? Envisioning the Emerging World Order

Introduction

The liberal world order is in dire straits. The world of moderately open migration, free trade, and free flows of capital that has existed since the 1970s is under attack. Liberal democracies around the world have seen the rise of far-right political parties trading in xenophobia, while attacking traditional liberal institutions. Many political scientists, increasingly committed to country-specific studies, or mid-level theories of small phenomenon are picking up many of these developments, while missing common threads between them.

We are bearing witness to systemic changes. After the collapse of the Bretton Woods system in 1971, the United States and its allies in the G-7 constructed a new neo-liberal world order characterized by relatively open migration, free trade, and free flows of capital.¹ Today, that order is collapsing in the face of its internal contradictions. Free flows of capital, combined with the privileged position of the American dollar, saddled the global economy with recurrent financial crises. Internally, the implementation of many neoliberal policies (and creation of transnational workarounds) undermined many of the civil society groups vital for broad-based democracy. Large-scale migration, necessary to prop up entitlement spending in a low-tax environment, triggered the ire of far-right nationalists across the democratic world. The openness of the neo-liberal world order to authoritarian states, in turn, has enabled rapid growth in the world's autocracies – shifting the locus of global power toward authoritarian states like China. In essence, my argument flows from the belief that all political orders are contingent – they rely on underlying power structures. The power structure that gave rise to a liberal world order are decaying, and an illiberal world order is taking shape.

Instead of the liberal world order, a new world order of embedded plutocracy is emerging. The rise of so-called populism represents the ascent of political coalitions advocating

protection against some of the dislocations (real and imagined, cultural and material) caused by globalization, attacks on liberal institutions, with cronyism for business elites.² Although the success of right-populists varies from country to country, the nationalist right has shifted the locus of politics in its preferred direction in many countries. Moreover, the global power shift toward authoritarian states will create more opportunities for illiberal governance structures to proliferate in coming decades. Some transnational flows, such as migration and trade, are likely to be tightened. Those transnational flows most conducive to the interests of business elites, such as capital flows, will remain open. The cross-pollination of capital flows between companies headquartered in the democratic and authoritarian world, the inviolability of offshore havens, and great power concerts may yet enable embedded plutocracy to address some global challenges (e.g. to avoid great power war, resolve north-south issues), even as this structure does little on other fronts (e.g. human rights). There is a battle between democracy and autocracy, but it is not being waged on the global stage as some posit³, it is being waged inside the world's democracies.

This essay proceeds as follows. First, I explore the causes of the death of the liberal world order. Second, I examine Hungary, post-Brexit Britain, the United States, and Italy for evidence of the emergence of embedded plutocracy. Third, I offer a depiction of what embedded plutocracy will look like when fully developed. Finally, I address likely objections to my argument and offer some ideas about how to stymie creeping autocratization by increasing the global premium on democracy.

The Strange Death of the Liberal World Order

At the dawn of a new era, there is nothing quite like a dirge for the old one. When John Ruggie wrote his iconic depiction of the Bretton Woods world order, the world he described was slipping away. One of the most venerable ideas in IPE is the trilemma (or impossible trinity): it is nice to have fixed exchange rates, the ability to use monetary policy to fight recessions, and free-flowing capital markets.⁴ In practice, a country can only maintain two of the three at any given point in time.⁵ Embedded liberalism entailed fixed (but adjustable) exchange rates, and flexible monetary policies, while capital controls limited capital movements between countries. The system enabled governments to respond decisively to adverse shocks. Suffering from a recession? A dash of monetary stimulus will cure what ails you. Although the General Agreement on Trade and Tariffs (GATT) facilitated the recovery of global trade from Depression-era lows, world trade grew slowly, offering declining industries many opportunities to adjust. Labor and industry maintained a compact, wherein capital forewent large dividends, instead recycling corporate profits into expansion. Robust labor movements and strong civil society defended the lot of the worker and saw an era of democratic expansion.

But embedded liberalism was fraught with limitations and internal contradictions. The same political order that saw inequality plummet in the wealthy countries of North America, Western Europe, and parts of East Asia, saw between-country inequality reach incredible heights.⁶ Further, for Japan, Germany, France, and others to lead *trentes glorieuses* of export-led growth, the United States had to absorb vast quantities of imports. Not only did the relative growth of other economies limit the capacity of the United States to uphold Bretton Woods, the very strength of labor and civil society made it politically difficult for American leaders to pay domestic political costs to uphold the global economy. When the United States experienced a

current account deficit in 1971, President Richard Nixon faced a choice: adopt deflationary policies (likely triggering a recession in 1972, an election year) or abandon fixed exchange rates.⁷ For Nixon – the consummate politician in an era where political constraints mattered – the choice was obvious: close the gold window. Nixon waited, however, to take full advantage of the new world born of the Nixon shocks, waiting until 1974 to loosen capital controls.

What followed was an era of globalization in which the movement of goods, capital, and people exceeded the heights of the 19th century. The age of neo-liberalism saw the protective welfare state give way to a competition state. Instead of a state that protected workers and bestowed core necessities, the role of the state was to maximize growth. Although competitiveness meant eliminating some traditional protections against adjustments, it did not imperil entitlement spending. Growth meant greater revenues, which could be funneled back to fund entitlement programs. The fluctuations of a world of mobile capital required states other than the United States to hold United States dollars in reserve.⁹ Holding the patent to the lubricant of the global economy transformed the United States from a declining industrial power to a mighty financial leader. Recycling the cheap capital provided by the world allowed American investors to become the world's venture capitalist, profiting from the rise of others.¹⁰

The fluctuations of the new age also enhanced the role of intergovernmental organizations, like the International Monetary Fund (IMF), where American prominence is deeply embedded.¹¹ Organizations like the G-7 facilitated macroeconomic coordination, as in the 1985 Plaza and 1987 Louvre accords. Standards friendly to Anglo-American financial capitalism, like the Basel Capital rules, were also promoted even if they did little to foster stability.¹² Europeans embraced regional political and economic integration with the creation of the European Union. The neoliberal world order saw many successes: between-country

inequality plummeted as access to global markets facilitated the rapid growth of China and India. The share of extremely poor people fell from 37.1% to 9.6% between 1990 and 2015.¹³ Programs like the ambitious Millennium Development Goals, and the growth of global remittances, channeled funds to address some global ills. For instance, global Malaria deaths fell from 864,000 in 2000 to 429,000 in 2015.¹⁴ The share of democratic states expanded too, particularly as the Soviet Union collapsed. Although much of the fanfare about the democratic enlargement of democracy's "Third Wave" may have been premature – democratization efforts did not always succeed, and many countries have remained trapped in a gray zone between democracy and autocracy.¹⁵

Despite successes, the neoliberal world order suffers from four internal contradictions: first, American dollar primary exposes the rest of the world to the fluctuations of American business cycles. Second, the political change necessary to implement neoliberal policies have greatly reduced the size of minimum winning coalitions, making particularist (and often illiberal) programs far more appealing. Third, the migration necessary to sustain entitlement programs without tax hikes has triggered a xenophobic backlash. Fourth, opening the neoliberal order to authoritarian states has allowed authoritarian successes, raising the credibility of authoritarian alternatives to the neoliberal order.

Much like the 19th Century era of financial mobility, the age of neoliberalism was characterized by frequent, severe financial crises. Vast amounts of capital could pour into developing countries seeking profit and pour out just as soon. At the core of the system, too, America's exorbitant privilege presented leaders with a constant temptation. With deficit-financed tax cuts and military spending, a government could produce a temporary economic boom at will.¹⁶ As the United States drew on the world's savings, capital scarcity abroad

triggered yet more financial crises. Indeed, it is not a coincidence that Turkey's currency crisis coincides with rising American interest rates, and a surge in deficit spending under President Trump. The spread of financial deregulation, too, meant that these capital bonanzas were not always transformed into productive long-term investments. Abandoned theme parks in Japan and low-quality McMansions in the United States are testament to our continuing vulnerability to animal spirits. Recurrent crises have surely undermined support for globalization, which after 1989, replaced containment as the linchpin of the liberal world order.¹⁷

Political developments have weakened democratic civil society, reducing the size of minimum winning coalitions across the west. The implementation of neoliberal policies required the political defeat of 'special interests' – labor unions, civil servants, regional interests, workers in import-competing industries, and others who relied on the state for protection. Yet, even if the goals of some special interest groups were economically inefficient, they represented organic communities capable of forming broad regional or sectoral political coalitions. Scholars as diverse as Alexis de Toqueville, Samuel Huntington, Robert Putnam, and Wendy Brown point to the necessity of a vital civil society for democracy.¹⁸ Labor unions, for instance, are one of the few interest groups capable of mobilizing middle and working-class people. In place of the grassroots, there is an increased tendency (particularly in the United States) for 'astroturf politics' wherein donor money funds the appearance of real civil society activity.¹⁹

In addition, the dislocations caused by intensifying globalization are often debated in intergovernmental arenas that lack organic civil society organizations around them has served to weaken democracy. For instance, turnout in European Union parliament elections is typically low, and few Europeans engage in regular political discourse with those outside their country.

Technocratic agencies like the European Council or regulators like Central Banks also enhanced their role in policymaking, further distancing policymaking from the public will.²⁰

The ways in which capital mobilizes itself politically are shifting, particularly in the United States. Where large financial firms once formed the basis for broad-based business coalitions, nowadays a few highly motivated billionaires can contribute what whole economic sectors once did. Although big business might collectively prefer liberal rules, each corporate actor by themselves will benefit far more from particularism and cronyism. In a world where politicians do not need to craft broad coalitions, corrupt bargains can run rampant. Billionaire gadflies may amplify polarization as well, by establishing litmus tests around their favored positions. Moreover, complex financial instruments and hedging insure wealthy individuals against risks in ways that ordinary people cannot match.

Economic shifts since the financial crises limit the scope for organized civil society to act. For all of Steve Jobs' invocation of new age imagery, Silicon Valley has become the land of would-be cartels. The smartphone is a worse computer that facilitates corporate harvests of consumer data and undermines the 40-hour work-week. Uber may want to overthrow taxi licensing guilds, but only to replace it with a monopoly employing driverless cars. Alternately, Taskrabbit is a platform that enables employers to use monopsony power to undermine wages. The political economy of Facebook and Google resembles that of resource-rich rentier state, with firms monopolizing control over the electronic space containing our collective data. Their ability to sell privileged access to parts of this commons to others is not only a source of great profit, but also political power. Big data makes it easier than ever to find the most gullible voters in the system and turn them out. As automation supplants vast proportions of the workforce, Silicon Valley will have an even greater incentive to redirect voter anger away from itself. Facebook

managed to lose the data of millions of individuals, sell ads to Russian actors aiming to influence the election, and even served as a conduit for Burmese genocidaires to incite violence against the Rohingya people – without facing serious efforts at regulation.²¹

Migration benefits the liberal world order, while posing a political challenge. Migration is necessary for neoliberalism – young workers are needed to maintain entitlement programs without raising taxes, and brilliant ones are necessary to maintain the technological prowess of the developed world. As more and more of the world’s seven billion people have access to good educations, a country with 326 million people like the United States can only retain its edge by drawing in the brightest from abroad. Indeed, 45.3% of American STEM workers in positions requiring a PhD are foreign-born.²²

However, immigration is the subject of an intense political backlash. Beginning around 2014, nationalist anti-immigrant parties saw gains across Europe and North America.²³ As of this writing, the United States is led by a president who won office by promising mass deportations, denigrating minorities and immigrants, fetishizing torture of Muslims, and promising to rip up the cornerstones of the liberal global order. In the European Union, right-wing populists have been able to reap political hay by twinning xenophobic fears of migrants (e.g. refugees from the Syrian civil war) with opposition to the European Union. Hungary, Italy and Poland are led by parties pledging a similar form of politics; Austria and the United Kingdom are led by center-right parties captive to the far right (the latter having voted to leave the European Union); while many other countries have seen the far-right make significant electoral gains. Fellow travelers, such as President Rodrigo Duterte in the Philippines and Jair Bolsonaro in Brazil have arisen by attacking drug addicts and LGBTQ people, respectively.

The opposition to immigration bears little relationship to facts – xenophobes systematically overestimate the number of immigrants, fume over immigrant crime rates that are lower than the national average and imagine immigrants as spongers when their presence is necessary for the vitality of the tax base. At times, politicians might portray opposition to immigration as a means to combat intolerance. For instance, Pim Fortuyn won support in the Netherlands by attacking Muslims as being insufficiently liberal for Dutch society. Darker ruminations emerge, too, as nativists fear that the political power of immigrants and minorities will overtake their own. In the United States and Western Europe, defenders of inequality have been effective at using the ignorance and xenophobia of voters to build political coalitions that are more robust to the dislocations of an age of crises.

Some are skeptical of the connection between different populist movements. For instance, Lawrence Freedman²⁴ contests whether the Brexit vote has the same meaning as the election victory of Donald Trump. Whereas the former was a referendum on a question with unclear implications (e.g. a soft vs. a hard Brexit), the latter was a national election held on a range of questions. Yet although populist right parties often appear to respond to idiosyncratic, country-specific concerns, they have much in common. Every single right-populist party harnessed outgroup hostility as a core part of their campaign. When Nigel Farage campaigned for ‘Leave’ he stood in front of a sign reading “breaking point,” depicting an endless stream of Syrian refugees. The best predictor of support for ‘Leave’ and for President Trump was the very same: outgroup hostility.²⁵ Even if the targets vary across countries, the populist right is united by its exploitation of a political vulnerability of liberal democracy. By protecting individual rights against the tyranny of the majority, all liberal democracies are vulnerable to populist attacks. Attacks on the judiciary or pardons for civil rights violators in the United States, Poland,

Hungary, and the Philippines can be presented as actions reflecting the popular will. Liberal democrats may end up being forced to defend unpopular targets. To use the words of Hungarian Prime Minister Viktor Orban, ‘illiberal democracy’ is a politically viable alternative to liberal democracy.²⁶

The simultaneous transformation of global power represents a third contradiction to the liberal order.²⁷ Neoliberalism produced wealth in part by opening up the world economy to fundamentally illiberal regimes like China, Russia, and Saudi Arabia. Even though there are more democracies today than before, the relative economic power of authoritarian states is rising. Instead of a global power structure dominated by a uniformly liberal G-7, global governance increasingly takes place through a G-20 which includes many authoritarian, hybrid, or flawed democratic regimes. If the projections of PriceWaterhouseCoopers hold true, by 2030 authoritarian and democratic regimes will represent equal shares of global GDP (See Figure 1).
[Figure 1 about here]

There are reasons to believe that autocratization will intensify in coming decades. Systemic factors exhibit consistent influence on which domestic political systems prevail. For instance, the ‘Third Wave’ of democratization running from the mid-1970s to the 1990s saw many countries democratize as the Soviet Union declined as a viable global contender.²⁸ What began as superficial democratization aimed at limiting international criticism, in some cases created openings for those desiring genuine democracy.

The Chinese economic and political model is a viable example for others to emulate.²⁹ While global capital flows were predominantly north-north even a decade ago, the global south surpassed the north as an investment destination in 2014, while growing rapidly as a source of capital too. Homeowners (though not renters) in global cities have been the beneficiaries of this

source of largesse, as low U.S. interest rates saw a turn from U.S. bonds to real estate as a safe store of value. Beijing is exerting more influence in institutions, while creating its own.³⁰ For countries inclined toward clientelistic relationships between business and government, Beijing's rules may prove preferable to Washington's. Further, states trying to attract capital in an authoritarian world may adopt institutions that are complementary to large authoritarian capital exporters.

Finally, many of the institutions undergirding the liberal world order reflect a different geopolitical reality than the one emerging today. NATO, and similar security arrangements in East Asia, were built up around a genuine fear of Soviet expansionism.³¹ The rise of China is a geopolitical phenomenon presenting threats and opportunities for states woven into the liberal order. The front lines of potential superpower confrontations are different from those of the Cold War. Moreover, unlike the Soviet Union, China is a potential source of capital and trade to others. To a certain degree, Russia's election meddling and land-grabs may actually reinforce the rivalry that long *nurtured* the liberal order. There is no enemy like the old enemy.

The developments unravelling the liberal world order reinforce one another. Financial crises and the responses to crises (whether austerity or stimulus) are major distributional events that rejig power structures and challenge ideas about 'the way the world works.'³² Appeals to nativism may be more successful in a world where voters are increasingly uncertain about whether the economic system works. Indeed, in the United States, Republican assessments of the state of the economy have almost entirely been swallowed by partisanship.³³ At the level of elites, wealthy interests may be more willing to throw their vast resources behind illiberal xenophobes if the alternative is redistribution and regulation.³⁴

As minimum winning coalitions shrink, opportunities arise for actors in authoritarian countries to influence the politics of democratic ones. The role of Russian spying and hacking in the 2016 US presidential election has received a great deal of attention, but there are subtler ways to exert influence in a world where political coalitions represent networks of contradictory, parochial interests. Since the 2016 election, a number of foreign interests sought to influence American policy by establishing direct links with the Trump Organization. For instance, the Chinese government loaned \$500 million to Indonesia for a development plan that included construction of a Trump golf course, just as President Trump announced the end of restrictions on ZTE, a Chinese Telecom Company North Korea criticized for exporting US technology to North Korea and Iran.³⁵ One Italian deputy at the Council of Europe was found to have been on the payroll of the government of Azerbaijan.³⁶ The use of similar offshore accounts to evade taxes can link the interests of oligarchs and democratic politicians alike. The release of the Panama Papers embarrassed figures as diverse as Russian President Vladimir Putin, British Prime Minister David Cameron, and Icelandic Prime Minister Sigmundur Davíð Gunnlaugsson. Conversely, corporations headquartered in democratic states are becoming increasingly active in authoritarian states – requiring them to adapt themselves to local conditions.

The ‘boomerang effect’³⁷ once touted as a means to promote human rights can have the exact opposite effect in the face of networks of nationalist and authoritarian actors.³⁸ Authoritarian infiltration of democratic polities can create non-compliance constituencies that will push against the international reproach of governments for human rights violations. Authoritarian governments can impose costs on governments that push too hard. For instance, after Liu Xiaobo won the Nobel Peace Prize in 2010, the Chinese government retaliated against Norway by cancelling planned meetings and sidelining trade talks. When the Canadian

government criticized the Saudi arrest of civil rights activists, the Saudi government retaliated by pulling Saudi students out of Canada. Where the democratic world might have stood together, none came to the assistance of Norway or Canada. Indeed, not long after its spat with Canada, a Saudi journalist (with American residence) disappeared after visiting the Saudi consulate in Turkey. Despite indications that Jamal Khashoggi was murdered by the order of Crown Prince Muhammad bin Salman. Instead of declaring *civis Americanus sum*, President Trump was obsequious, aiming to grant cover to Saudi actions in defense of petrodollar recycling and arms sales to Saudi Arabia. I do not mean to suggest that it is new that democratic states often trade their highest values for filthy lucre, but rather to illustrate how a changing global power structure is moving the goalposts. What is more, the global normalization of authoritarian values works in reverse too, creating space for illiberal democrats and nationalists to push against human rights at home.

Evidence: Embedded Plutocracy inside four populist movements

Let us turn to some of the more high-profile instances in which right-populists have taken power in recent years, namely Hungary under Viktor Orbán, post-Brexit Britain, the United States under Trump, and Italy under the Lega-Five Star coalition. These cases exhibit important commonalities – transnational networks of dark money and polarized political systems that promote nationalist outbidding. In power, the agenda of right-populist governments have enacted policies that enrich wealthy insiders while sustaining mass support by invoking hostility toward outgroups.

Hungary, 2010-

Hungary is the canary in the coalmine of right-populism. Together with its junior partner, the KDNP, Orbán's government won a two-thirds majority in 2010, in the wake of the 2008 financial crisis. Orbán underwent a long journey from a long-haired pro-democracy dissident in 1990, to a center-right Prime Minister in 1998-2002, to a champion of "illiberal democracy" today.

In power, Fidesz used both heterodox and orthodox tools to slash large budget deficits, and reward regime insiders. Orbán implemented a 16% flat tax (coupled with the highest VAT tax in Europe), imposed a tax on foreign companies in some sectors (including media and banking), and nationalized public pensions.³⁹ Public institutions were increasingly used to disburse funds to a network of business leaders tied to the party, long cultivated by Orbán and businessman Lajos Simicka. Public contracts represent 26% of all spending on print media in Hungary, benefitting regime insiders and also extending the government's control. For instance, loans from Hungary's exim bank were used to support the takeover of Hungary's second-largest tv station by Andy Vajna, a wealthy pro-Fidesz businessman (and the producer of films including *Rambo*). In the words of some Fidesz leaders the aim is to create what Andras Láncki has called a "patriotic cohort of entrepreneurs".⁴⁰

In the 2014 Hungarian election, Fidesz won reelection, but lost support to Jobbik, another far-right party, and a unity coalition of liberal, green, and pro-European parties. However, Orbán had developed numerous tools to enhance his popularity, while continuing to favor insider firms.⁴¹ Orbán took advantage of the Syrian refugee crisis to stoke nationalist fears, pledging to build a fence to cut off access to migrants. George Soros, a wealthy Hungarian-American financier has also featured prominently as a bugbear for Orbán, who has invoked anti-Semitic

tones while attempting to shut down the Soros-backed Central European University.⁴² When seeking to broaden his economic agenda, Orbán has opted for welfare chauvinism – recently proposing the abolition of taxes on women with four or more children.⁴³ At the same time, Orbán used the cloak of nationalism to justify increasing democratic backsliding – Freedom House⁴⁴ now rates Hungary as only “partly free.” Moreover, in a climate defined by hostility to migration, the primary opposition to Fidesz comes from Jobbik, a party with a far-right history of its own (and the backing of some oligarchs, such as Lajos Simicka, who have fallen out with Orbán.

Britain, 2016-

Unlike Hungary, right-populists came to influence British politics through a referendum, not an election. The Brexit campaign is often portrayed⁴⁵ as a battle between everyman “somewheres” and cosmopolitan “anywheres.” This portrayal is misleading. The promise of a Brexit referendum itself emerged as part of an attempt by British Prime Minister David Cameron to coopt rising support for the populist United Kingdom Independence Party, so as to continue his own austerity agenda. The majority of financing for the Brexit referendum campaign came from just 100 individual donors, including many pro-Brexit “anywheres.”⁴⁶ One of the largest donors was Arron Banks, the CEO of an insurance company, who singlehandedly donated over £8 million to pro-Brexit organizations, particularly Leave.EU, a campaign group he co-founded. Questions have arisen over Banks’ true motivations. Shortly after founding Leave.EU, Banks was offered the opportunity to invest in the consolidation of six Russian gold mines following a lunch with the Russian ambassador.⁴⁷

The potential role of Cambridge Analytica, a political consultancy founded by hedge fund manager Robert Mercer, in the Brexit campaign poses additional questions about the leave campaign. Cambridge Analytica obtained data from millions of Facebook profiles, which it used to construct detailed psychographic profiles of individuals – including those susceptible to believing falsehoods. Four different pro-Brexit organizations, including Vote Leave, BeLeave, Veterans for Britain, and Northern Ireland’s Democratic Unionist Party hired AggregateIQ, an obscure Canadian political consultancy to spend a large proportion of their campaign budget.⁴⁸ According to a Cambridge Analytica whistleblower, Chris Wylie, Cambridge Analytica and AggregateIQ are linked to the same parent company, SCL, and both employ the same underlying technology.⁴⁹ Wylie also indicated that Cambridge Analytica employees shared detailed discussions of the firm’s technology with the sanctioned Russian oil company Lukoil. In light of the links between business and politics in Russia, and subsequent Russian efforts to influence elections in Britain and the United States, any disclosure of information would be distressing. Whether or not the presence of a transnational network of actors proved critical in the Leave victory, it is not difficult to imagine similar constellations of forces playing a powerful role in future campaigns.

Pro-remain Conservatives, including Prime Minister Theresa May have pushed for a negotiated ‘soft’ Brexit, in which Britain would accept most European Union rules and pay billions of pounds, in exchange for concessions to ease the transition, such as continued access to the European common market. However, a number of pro-Brexit hardliners have pushed instead for a ‘hard’ Brexit, in which Britain would abruptly cease its membership in the EU, leaving the country in a state of regulatory uncertainty, and imposing steep transitional costs. Bank of England stress tests indicate that this could cause as much as an 8% fall in GDP.⁵⁰

Rather than urging for a cozy Bretton-Woods part II, the dominant model for post-Brexit Britain touted by Brexit hardliners including Boris Johnson, Michael Gove, Owen Johnson, Foreign Secretary Jeremy Hunt, and wealthy entrepreneur James Dyson is Singapore-on-Thames.⁵¹ Diversified business holdings and ownership of mobile assets insures some hard Brexiteers from the consequences of post-Brexit chaos. One Tory MP, Sir John Redwood, urged a no deal Brexit, while shifting his own personal investment assets out of the United Kingdom.⁵² MP, Jacob Rees-Mogg is the owner of a Singapore-based investment fund, Somerset Capital, even as he urges a no deal Brexit. One wonders whether Rees-Mogg is following the advice of his father, whose books *Blood in the Streets: Investment Profits in a World Gone Mad*, and *The Sovereign Individual: Mastering the Transition to the Information Age* promote the idea that nimble “sovereign individuals” can profit amidst collapse in an age of volatility.

The United States, 2016-

The United States has long incubated key elements of embedded plutocracy. Since the 1990s, a media eco system including far-right radio stations, Fox News, and right-wing activists online have cheered on the rightward drift of the Republican party. One analysis of the network of linkages between news stories on immigration found clear evidence of a right-wing media eco system, divorced from mainstream sources.⁵³

Rising income inequality, and Supreme Court rulings favorable to unlimited campaign donations, have enabled wealthy, highly motivated individuals to intervene in politics to an unprecedented degree. Indeed, some analyses by political scientists find that controlling for interest group preferences and the preferences of wealthy voters, median voter preferences do not impact policy outcomes.⁵⁴ Some billionaires have become famous for their political activism.

Charles and David Koch, scions of Koch Industries, have a long history of supporting libertarian and conservative thinktanks, as well as the anti-stimulus Tea Party movement.⁵⁵ Las Vegas casino owner, Sheldon Adelson, donates large amounts of money to candidates that endorse a foreign policy consistent with the goals of Israel's Likud party.⁵⁶ According to the most comprehensive study of billionaires in American politics, the bulk of billionaire-activism takes place in opposition to higher taxes, though some liberal billionaires such as Thomas Steyer are politically active – deepening polarization further.⁵⁷

Although donors have extensive agenda-setting power, they cannot always determine political outcomes. In the 2016 Republican Primary, Donald Trump used his celebrity status to hijack the right-wing infosphere and effectively outbid other candidates, particularly by appealing to the racial animus and xenophobia of primary voters.⁵⁸ Once Trump won the nomination, he received the assistance of many of the elements of the same transnational network that helped “leave” win the Brexit, including Cambridge Analytica and Russian interference.⁵⁹ The Trump campaign was able to effectively target its message at different voters – appearing to some as a useful tool to implement a traditional Republican agenda, and to others as their champion against immigration and demographic change in the United States. At times Trump made appeals to economic populism as well, promising to go after “hedge fund guys,” criticizing free trade, and pledging to create jobs with large infrastructure programs.

In office, Trump promptly filled his cabinet with scions of big business network and his own personal business interests. Secretary of State, Rex Tillerson, was the former CEO of Exxon Mobil; Treasury Secretary Steve Mnuchin is a Goldman Sachs alumnus; Commerce Secretary, Wilbur Ross, is a billionaire investor in steel concerns; Education Secretary, Betsy DeVos, is a billionaire whose husband was CEO of Amway. Other key appointments have clear ties to

wealthy interests. Prior to serving as Trump's third National Security advisor, John Bolton ran a hawkish super PAC financed by billionaire Robert Mercer.⁶⁰ Trump's son-in-law, wealthy real estate investor Jared Kushner, has also played an important advisory role within the administration.

The signature economic policy of the Trump administration has been a major cut to income and corporate taxes (from 35 to 21 percent).⁶¹ The primary beneficiaries of the former cut have been wealthy individuals. On smaller issues, too, the Trump agenda has looked more plutocratic than populist. At the urging of billionaire investor Carl Icahn, an early Trump backer who also started a \$150 million SuperPac, Trump lowered the corporate repatriation tax.⁶² Congress has also weakened the provisions of the Dodd-Frank act, with support from the administration, raising the cutoff for "systemically important" financial institutions to \$250 billion. Trump's appointee to the Federal Commerce Commission, Ajit Pai, voted to repeal net neutrality rules, allowing internet service providers to charge different rates to different consumers.⁶³

While Trump has enthusiastically pursued the social elements of his populist agenda, he has eschewed actions that might alienate his plutocratic allies. As President, Trump pushed for a ban on immigration from a number of predominantly Muslim countries (though the list excludes countries where his company has properties); zero tolerance border policies that have resulted in family separation; a quest for a border wall (even at the cost of triggering a government shutdown); banned transgender people from serving in the military; while hewing to traditional policy objectives of social conservatives, and frequent Twitter fights on polarizing cultural issues.⁶⁴ On the other hand, promises to increase infrastructure spending and to close the carried interest provision are stillborn as of this writing.

Trade is one area featuring departures by the Trump administration from traditional GOP support for free trade. In office, Trump levied tariffs on China, coupled with targeted tariffs on Canadian and Mexican steel. This is an important reminder that embedded plutocracy differs from a broadly pro-business agenda. Although economic theory predicts that protectionism is welfare-reducing overall, the winners of trade tend to be diffuse groups (e.g. consumers), while the losers represent concentrated interests (e.g. import-competing firms).⁶⁵ Trump's inner circle consists largely of business interests that are import-competing (e.g. Ross and steel) or not strongly impacted by tariffs (e.g. Trump and real estate, or Devos and Amway). Although a trade war would be harmful for some pro-Trump groups, such as farmers, side payments can soften the blow.⁶⁶ In an environment characterized by increasingly fragmented interests, even a signature populist policy like protectionism can yet become a vehicle for corporate welfare.

Italy, 2018-

The long and scandal-ridden government⁶⁷ of Silvio Berlusconi. The billionaire leader of Italy's center-right Forza Italia, and a media magnate controlling as much as 90% of the Italian television market,⁶⁸ Berlusconi served as Prime Minister from 1994-95, 2001-2006, and 2008-2011. When in power, Berlusconi has governed in coalition with Lega Nord, a northern separatist party known for its blistering attacks on southern Italy. Following the 2008 financial crisis, Berlusconi was left to deal with the fallout of Italy's debt crisis. This proved difficult, and in 2011, Berlusconi resigned and was replaced as Prime Minister by a technocratic government led by economist, Mario Monti. Both Monti and the center-left government following it continued an unpopular austerity agenda in response to the debt crisis, while the increased monitoring role over budgets exercised by the European Commission linked the economic pain

of a severe crisis to the European Union. In 2014, the simultaneous eruption of the migration crisis, deepened negative views of Europe and globalization. In 2009, Italians considered globalization more an opportunity (42%) than a threat (40%) – by 2012 the threat frame was ahead 48%-28%.⁶⁹ Similarly, in 2009 more Italians had a positive (56%) than negative (10%) view of the European Union, while large majorities expressed hostile views toward immigration.

Much as Donald Trump outbid conventional Republicans, the Lega has cannibalized much of the traditional support of the center-right. Following Bossi's resignation on corruption charges, new leader Matteo Salvini steered the party from a northern league to a national one. Content analysis of Salvini's Facebook posts illustrate a consistent migration away from emphasis on themes such as northern values, and toward an emphasis on national issues like security, terrorism, and immigration.⁷⁰ The central economic policy proposal of the Lega is one that reconciles the party's business interests with its Euroskeptic agenda. The party favors a 15% flat tax, which would deepen Italy's budget deficit while benefitting wealthy taxpayers. Like Silvio Berlusconi before him, Salvini also favors a pro-Russian foreign policy even endorsing Russia's claim on Crimea. In effect, the Lega favors a pro-rich anti-austerity agenda. Although its Five Star coalition partners are larger, Lega ministers benefit from far greater experience in politics. As Interior Minister, Salvini has led a popular crusade against migration, as his party has overtaken the Five Star movement in the polls.⁷¹

In short, while there are many important idiosyncratic factors in the rise of populism, there are also some important similarities. Polarized media and a correspondingly polarized politics have created conditions where right-populists can often outbid or coopt conventional center-right parties through nationalist and xenophobic rhetoric. Right-populists in power have retained or even doubled down on the pro-rich redistributive agenda of traditional right-of-center

parties. Yet, right-populists often aim to achieve those results through not only tax cuts, but also particularist arrangements that may benefit only a few insiders.

Embedded Plutocracy: The New World Order

So far, we have only seen the very beginning of right-populist rule. With the neoliberal world order fraying at the edges, it is also useful to think about how a more advanced populist world might look like. Like John Ruggie, I believe that political authority in the international system reflects “a fusion of power with legitimate social purpose.”⁷² Often, such transformations have occurred in the aftermath of major wars, or during periods where the global power structure was strongly reified, however, allowing the leading power and its allies to inject their own vision of legitimate social purpose into the fabric of the system. The question of what emerges in a world in which geopolitical power is increasingly diffuse, and social purpose globally contested?

Although the policy ramifications of shifts to the global power structure are still in flux, the political foundations of the new order are clear: inside democracies diffuse interests are losing against the combined clout of incumbent business interests and single-issue voters. Globally, shifts in the distribution of power are affording more power to autocrats, and more diplomatic cover to would-be autocrats. The kind of world order most compatible with this state of affairs is what I will call embedded plutocracy (see table 1). Like the Bretton Woods era, the state will act to limit aspects of globalization that might cause dislocation. Unlike the Bretton Woods era the primary beneficiaries of state intervention will be large incumbent firms and regime insiders, allied to coalitions of single-issue voters (e.g. nativists).

[Table 1 about here]

While neoliberalism was characterized by free flows of capital, free trade, and increased migration, embedded plutocracy entails continued financial openness, targeted protectionism, and hard limits on migration. In essence, global economic processes will be restricted in direct order of how politically controversial they are. Political entrepreneurs will aim to get the biggest bang for their buck. Big data will enable political parties to determine which voters can be won over for the smallest political cost. Political parties representing some combination of the leading incumbent firms, xenophobes, and a gaggle of single-issue voters will have an immense advantage in the 21st century.

Nativist voters are a compelling example (though not the sole case) of voters that might be mobilized with relatively little expenditure of political capital.⁷³ In a sense, xenophobes are virtual reality voters. For instance, most surveys find that voters systematically overestimate the proportion of foreign-born individuals in their own country.⁷⁴ Similarly, although immigrants commit fewer crimes than natives⁷⁵, and even undocumented immigrants may be net contributors to government revenues,⁷⁶ many nativists believe the reverse. It is easy to push the buttons of nativist voters once you know who they are. One study pointed to pathogen sensitivity as a consistent predictor of nativism. Politicians might refer to ‘infestation’ by immigrants, arousing the fears of such voters.⁷⁷ Courting nativist voters also enables the replacement of the welfare state with *welfare chauvinism* – welfare for “deserving” in-group members, but not others.⁷⁸ Such programs can be implemented with less political capital than universal programs.

Who is against nativism? Immigrants themselves might favor open migration, however, they often lack the rights of citizenship rights and the path to naturalization can be long. Second-generation immigrants lack material reasons to support open migration policies. In the early 20th century, plenty of Americans with Swedish, German, Irish, and Italian names happily supported

restrictions on immigration. Although capital benefits from open immigration, the benefits of a slightly larger labor market pale in comparison to other issues. Capital taxation is simply far more salient for big business than immigration, even if business still mobilized primarily through broad-based forums instead of narrow ones. Certainly, some individuals of conscience or civil rights organizations might find common cause with pro-immigration groups. But if there is one iron law of politics it is that concentrated groups with intense preferences prevail over diffuse ones with only modest commitments to a particular issue.⁷⁹

Tighter migration controls will have important effects on the global political economy. Rising powers like China and India will benefit immensely – retaining their best and brightest, just as they are in a position to begin to establish globally competitive educational institutions. The United States, in turn, will be unable to retain its role as a leading global innovator without migration. Yet American policymakers can compensate for lost competitiveness in the short-run by altering the structure of American hegemony yet again, as will be discussed when I turn to trade.

Some aspects of economic globalization will remain politically untouchable. The implementation of capital controls runs counter to the interests of the large corporations whose acquiescence is essential to bankroll political victory. For capital, mobility is a vital safeguard against expropriation. The main cost of mobility is that it limits the ability of governments to use monetary policy to combat financial crises. However, by relying on political coalitions of highly mobilized single-issue voters and business elites, democratic governments will be increasingly able to weather recessions and financial crises – much as the limited franchise helped many countries maintain the gold standard in the face of crises in the 19th century.

The implications of free flows of capital will also be different in the era of embedded plutocracy than in the neoliberal era. Autocratic regimes – particularly China – will represent increasing sources of capital. As before, potential host countries will need to signal that they are likely to protect the property rights of foreign investors.⁸⁰ Although they might do so by establishing transparent institutions and strong rules, other paths will be available. For instance, a country like the Philippines, is likely to be a host of Chinese investment for geographic reasons. Filipino political leaders might signal the credibility of the Philippines in protecting the property rights of Chinese investors by joining the networks of relationships that characterize Guangxi capitalism. Taking bribes and maintaining patronage relationships can credibly signal good intentions just as much as strong property rights.⁸¹

In order to protect far-flung investments, Chinese investors will also press the Chinese government to expand Chinese reach capacity. The development of a blue water navy capable of projecting power across the Indian Ocean and requisite naval bases is already a Chinese priority – the string of pearls to accompany One-Belt-One-Road. Greater Chinese power projection capabilities, in turn, will allow China to expand its own bloc of dependent states.

Even aside from the draw of authoritarian investment, authoritarian states can provide cover to aspiring autocrats abroad. Moves like the denaturalization of naturalized citizens, voter disenfranchisement, or gerrymandering might ordinarily risk international condemnation. But in a world where regime type is more mixed, it might be easy to defend autocratization by simply saying ‘there are many ways to be democratic, let a thousand flowers bloom.’

I am not arguing that currently liberal democratic states will become totalitarian states. However, they are likely to converge upon an equilibrium that is less liberal and less democratic (at least in the sense of governments justifying policy to the public, and of all people having a

meaningful impact on public policy). Indeed, there are some limiting factors on globally driven autocratization. For the United States, liberal institutions will still reinforce the desirability of the United States dollar as the global reserve currency over a state with no constraints against large-scale expropriation.

As American high-technology exports decline, the United States can use market access as a wedge to demand leverage from others.⁸² Such actions could benefit import-competing firms, while privileged access to *some* markets in the American sphere might benefit some export-oriented firms. President Donald Trump's trade war with China, Europe, and Canada represents an early example of this strategy in action. In time, aiming to prevent ad hoc trade wars, the states most dependent on access to American markets may opt for negotiated settlements offering American goods a privileged position. States powerful enough to have their own dependents are likely to balk at such propositions instead forming their own rival trade blocs. Even if this is bad for their aggregate welfare, it offers rising powers the prospect of appeasing exporters while assuaging import-competing firms.

Doubtless, some domestic and global actors are likely to push against protectionism. Export-oriented sectors might defend the old order, but some will prefer having privileged roles inside trading blocs. Broader beneficiaries from trade, like consumers, were hard to mobilize even in the best of times and aren't likely to do much in a world where minimum winning coalitions are shrinking. International organizations like the World Trade Organization (WTO), too, might allow some states to resist protectionism. But the primary WTO enforcement mechanism – reciprocal tariffs – is fundamentally a weapon of the strong. Small states are more trade-dependent than large ones and can do very little economic damage to large ones by responding to tariffs with counter-tariffs.⁸³

As the global power structure shifts, international institutions will reflect the powerful states that dominate them. On some issues – including human rights, governance standards, and north-south issues – there will be much less cooperation. For instance, it is difficult to imagine a solution to climate change taking place through a great power concert, particularly if the companies that emit much of the world’s CO₂ are part of the selectorate of the parties at the table. On the other hand, it is possible to imagine a great power concert to avoid the ‘Thucydides trap.’ Global institutions, like the United Nations, might operate primarily as forums for conversation rather than as a kind of global government. Sovereignty would rule the roost once more. The sanctity of offshore money deposited by oligarchs in authoritarian states and large corporations in democratic ones would represent a kind of suicide pact for elites. War, by risking the assets of the selectorate, would be unthinkable. Although nativist sentiments might foreclose other palliatives against conflict, such as elite inter-marriage.

Embedded plutocracy contains contradictions of its own. Coalitions of single-issue voters will gradually be more difficult to construct if the concerns of such voters are met. For instance, immigration restrictions might reduce the salience of immigration over time. Big data may lose some of its utility as citizens adapt their behavior. Third way coalitions might assuage some of the concerns of nativists or the interests of embedded plutocrats, while issuing a return to a more open world.

Possible objections

I foresee some likely objections to my argument. Some might argue that liberal democratic institutions are strong in most current democracies. The current populism is a flash-in-the-pan – likely to die down once Donald Trump leaves office, or once the salience of the

Syrian refugee ‘crisis’ diminishes. Big business is likely to push back against serious efforts to alter the status quo with respect to globalization. Big Data represents an equal opportunity across the political spectrum – left, right, pro-globalization, and anti-globalization can all use the same tools to mobilize supporters. Even if some issues prove highly salient, non-populist parties can coopt the positions of populists to some degree.

I am not convinced. From a historical perspective liberal democracy is a flash-in-the-pan. As recently as 1963, Americans considered their President ‘leader of the free world’ even as millions of African-Americans were disenfranchised by segregationist institutions. Even if populist politicians vanished, partisans of many right-wing parties remain committed to immigration restriction. Politicians courting them are likely to fare well. Big business has *not* stopped the US-China trade war, the Brexit, or the formation of an all-populist coalition in Italy. And big data inherently benefits those seeking to build coalitions around intensely held values and identities. Individual rights and free trade appeal to diffuse coalitions, while upsetting concentrated ones.

Some might object to predictions of a transition to a more authoritarian international system. Perhaps Chinese growth will plateau as democratic India soars, or perhaps China and others might take steps towards democratization. Even if China becomes increasingly powerful, it may be difficult for a Beijing consensus to take shape. Liberal great powers on the other hand, have a good record of crafting international coalitions during major wars. American hegemony may outlive American power – the United States surpassed British GDP in 1872, yet the United States did not usurp Britain’s global role till 1941. Perhaps the rules that define the international order are strong enough to outlast global power transitions, and the liberal order need only to reconfigure its mission.⁸⁴

Once again, I am skeptical. India has yet to manifest as a democratic superpower. Although Chinese growth is slowing, India is not clearly growing faster. Moreover, India is undergoing modest democratic backsliding itself. In 2014, it elected a Hindu Nationalist Prime Minister whose tenure as Chief Minister of Gujarat saw many accuse him of complicity in anti-Muslim riots. According to the Varieties of Democracy Project⁸⁵, as many countries are undergoing democratic backsliding as are becoming more democratic (and the only region where democracy and free trade is advancing – Sub-Saharan Africa – lacks great powers). Moreover, many of the ‘liberal’ powers able to craft grand alliances were oligarchies, not real democracies. During the Napoleonic Wars, only 2.5% of the British metropolitan population (not to mention the colonies) could vote. By the First World War, that number was still only 35%.⁸⁶ Even an authoritarian state like China possesses political constraints that might credibly signal intentions to other actors.

As for the power of rule-based international orders, rules change. The Concert of Vienna fell apart after Napoleon III split Russia off from Prussia and Austria. The League of Nations collapsed when the Second World War broke out. The Bretton Woods system died when the costs of maintaining it grew too high for the United States. Rules-based order is often the exercise of power by some over others. Rules-based orders rarely outlive the power structures that gave them life.

Embedded plutocracy will not take root everywhere. Some countries may be able to resist these trends for a few reasons. Sensible regulations on financial institutions, and robust responses to financial crises when they occur can protect citizens from the destabilization of recurrent crises to some degree. Those countries with vibrant civil societies, and organizations capable of mobilizing broad swathes of the public to defend democracy and individual rights may defeat

creeping autocracy. Strict campaign finance laws and rules protecting the privacy of data might head off the shrinking of the democratic selectorate (although these are difficult issues to mobilize voters around, and it is hard to regulate increasingly transnational campaigns). Clear overreach and abuses by monopolist or monopsonist new industry firms might trigger backlash, leading to an outcome where big firms saw themselves either regulated like utilities or even broken up.⁸⁷ Liberal grand coalitions may yet form domestically and internationally, enunciating compelling rebuttals to xenophobes.

Some posit that dire consequences might be avoided with a return to something like embedded liberalism. Following the tradition of Karl Polanyi's *The Great Transformation*, one argument posits that extreme market societies are unnatural, prompting counter-movements.⁸⁸ Some combination of social democracy and limits to globalization, then, might have preventive effects on the rise of authoritarianism. Yet it is not clear that robust welfare states are a palliative against xenophobia. Some of the states that have avoided the rise of a powerful far-right are fairly market-oriented (e.g. Australia), while some with extensive welfare states (e.g. France and Denmark) have seen intensified xenophobic politics.⁸⁹ Moreover, the closure of states to global flows will not end hostility to immigration. Much of the western hemisphere went from being extremely open to immigration in the late 19th century, to being extremely closed by the 1920s.⁹⁰ These policy shifts did little to eliminate opportunities for nativist politics.

Perhaps a liberal world that is moderately closed to illiberal regimes might be a stronger one. Viktor Orbán happily accepts financial transfers from the European Union, even as he shreds Hungarian democracy. Oligarchs can happily store their ill-gotten gains in liberal democratic countries that protect their property. Openness to closed regimes might have once been justified on the grounds of modernization theory – trade and economic progress will lead to

democratization.⁹¹ Rather, modernization has often shored up the legitimacy of authoritarian regimes, as in China. Elsewhere, economic modernization has often triggered social disruption and internal conflict. In Brazil, the Philippines, and India recent periods of rapid growth have been capped with the rise of Bolsonaro, Duterte, and Modi, respectively. This is hardly a ringing endorsement of the democratizing effects of economic progress.

A renewed Cold War will solve all of our problems. There are many institutions wherein broad inclusion serves important global functions (e.g. the United Nations, the Nuclear Non-Proliferation Treaty, etc.). Dense economic interactions between authoritarian and democratic countries may, in addition, promote peace by raising the cost of war. At the same time, there is room to accomplish those objectives while also increasing the democratic premium – the advantage granted to fellow democracies vis-à-vis authoritarian states. Doing so could help clarify the purpose of the liberal world order as an organic community of fellow democracies, instead of some technocratic bugbear. Economic interests often undergird debates about alliances, after all.⁹² In particular, making enforceable labor rights provisions of access to markets can dampen some of the objections to internationalism often exploited by the populist right. Finally, the dense network of offshore investments revealed by the Panama Papers present an obvious case for regulation. So long as oligarchs can benefit from state plunder while enjoying the property rights protection afforded them by offshore accounts, autocrats will have their cake and eat it too.

Conclusion

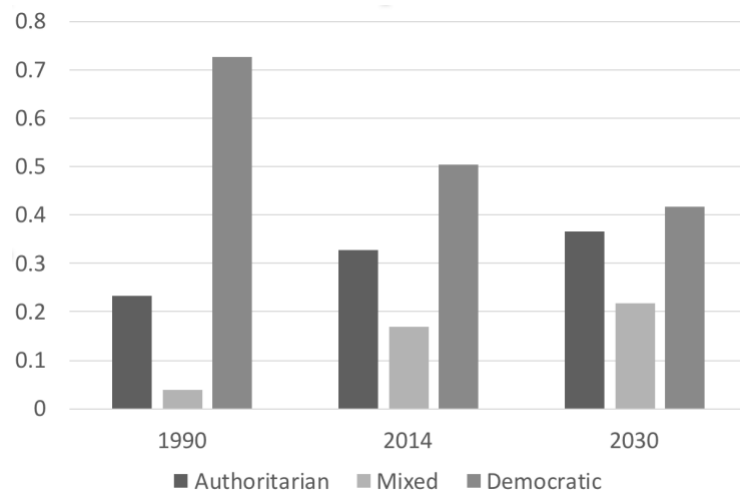
The age of democracy – and particularly liberal democracy with universal suffrage – is a tiny blip in the scope of human history.⁹³ Institutions and practices that Americans in particular

imagine to be timeless and permanent are recent and contingent developments. Democracy doesn't die in darkness, it dies in weakness. The post-Bretton Woods neoliberal order served the goals of a particular time and place. In the process, it facilitated a transformation to the political system into something new, very much at cross-purposes to its initial ideas. Embedded plutocracy is the result.

In the face of the democratic twilight, political scientists must consider that a political order inimical to our profession is on the rise. Vital questions of domestic and international political economy need to be addressed. How can we construct a globalization that promotes peace and prosperity without recurrent financial crises? How can we construct intergovernmental organizations that can survive global power transitions, resolve transnational questions, and retain democratic legitimacy? How can we blunt the power of the transnational networks linking domestic political actors to autocrats abroad? How can democrats – conservative, liberal, and socialist alike – unite against existential threats to democracy? How can we rebuild an organic civil society necessary to mobilize broad-based interests against narrow ones?

Figures

Figure 1: Distribution of Global GDP by Regime Type



Source: GDP (1990): Angus Maddison, 'Statistics on World Population, GDP and per capita GDP, 1-2000 AD' in *University of Groningen Faculty of Economics*, 2009, <http://www.ggdnet.net/maddison>; GDP (2014, 2030): PriceWaterhouseCoopers, 'The World in 2050: Will the shift in economic power continue?' 2015, <https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf> <accessed August 2018>; Democracy: V-Dem Project.

¹ By the liberal world order, I mean the set of institutions tying liberal democracies together (e.g. the Bretton Woods institutions, NATO, the G-7, etc.). I would depict the liberal world order as consisting of two phases – an embedded liberal phase (1945-1971) and a subsequent neoliberal phase. When I refer to the neoliberal world order, I mean only the second phase.

² There are also left-wing political movements that have been referred to as populist (e.g. Alexis Tsipras in Greece, Bernie Sanders in the United States, or Pablo Iglesias in Spain). Thus far, none of the left-populist parties have made significant moves to reverse liberal democracy.

³ Hal Brands, 'Democracy vs Authoritarianism: How Ideology Shapes Great-Power Conflict,' *Survival*, 60(5): 61-114.

⁴ See John Ruggie, "International Regimes, transactions and change: Embedded liberalism in the postwar economic order," *International Organizations*, 36: 2, 1982, pp. 379-415.

⁵ The trilemma is best explained with an example. Imagine we had fixed exchange rates, free flowing capital markets, and high levels of monetary autonomy. In response to a recession, central banks would lower interest rates to stimulate the economy. Portfolio investors, seeking high interest rates, would move abroad triggering a capital outflow. That capital outflow would put downward pressure on the currency, threatening the fixed exchange rate. See Robert Mundell, 'Capital Mobility and stabilization policy under fixed and flexible exchange rates' *Canadian Journal of Economics and Political Science*, 29, 1963, pp. 475-485.

⁶ See Jeffrey Williamson, 'Globalization and Inequality, Past and Present,' *World Bank Observer*, 12: 2, 1997, pp. 117-135.

⁷ On the transformation of the world order in the 1970s, see Helleiner (1996) and Stein (2010).

⁸ The most dramatic policy shifts underlying the neoliberal era have involved the abolition of capital controls, financial regulations, tariffs, and the privatization of state-owned enterprises. Overall taxation has not fallen broadly across the OECD – in fact, tax revenue as a percent of GDP in the US is exactly the same as it was in 1981 (OECD, 2018).

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- ⁹ Erik Helleiner, *States and the reemergence of global finance: from Bretton Woods to the 1990s* (Ithaca, NY: Cornell University Press, 1996).
- ¹⁰ Barry Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* (New York, NY: Oxford University Press, 2012) and Pierre-Olivier Gourinchas and Helene Rey, 'From World Banker to World Venture Capitalist: U.S. External Adjustment and the Exorbitant Privilege' Clarida, R., editor, *G-7 Current Account Imbalances: Sustainability and Adjustment*, 11-55, (Chicago: University of Chicago Press, 2007).
- ¹¹ For instance, the United States alone has a sufficient voting share (>15%) to veto structural changes to the IMF.
- ¹² Thomas Oatley and Robert Nabors, 'Redistributive Cooperation: Market Failures, Wealth Transfers and the Basle Accord,' *International Organization* 52: 1, 1998, pp. 35-54.
- ¹³ See World Bank, *Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change* (Washington, DC: The World Bank, 2015), p. 3.
- ¹⁴ World Health Organization, *World Malaria Report* (Geneva, Switzerland: The World Health Organization, 2016), p. 42.
- ¹⁵ Thomas Carothers, 'The End of the Transitions Paradigm,' *Journal of Democracy*, 13(1): 5-21.
- ¹⁶ Thomas Oatley, *A Political Economy of American Hegemony: Buildups, Booms and Busts* (Cambridge: Cambridge University Press, 2015).
- ¹⁷ Brian Burgoon, Tim Oliver, and Peter Trubowitz, 'Globalization, Domestic Politics, and Transatlantic Relations,' *International Politics*, 54: 4, 2017, pp. 420-433.
- ¹⁸ Alexis de Toqueville, *Democracy in America* (New York: Signet Classics, 1835 [2010]); Robert Putnam, *Bowling Alone: the collapse and revival of American Community* (New York: Simon & Schuster, 2007); Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968); Wendy Brown, *Undoing the Demos: Neoliberalism's Stealth Revolution* (Cambridge, MA: The MIT Press, 2015).
- ¹⁹ For instance, Martin Gilens and Benjamin Page found that policymakers are no longer responsive to the median voter. Larry Bartels similarly argues that the wealthy have systematic advantages in influencing American politics. Cross-national studies should also make us question the idea that average voters drive politics. For instance, Walter (2013) points out that the increasing complexity of global finance similarly undermines the formation of clear economic coalitions. The most significant cross-country comparison of campaign finance rules came out fairly recently, making it difficult to explore changes over time. However, works on cross-national party finance point to evidence that the United States is in the middle of the pack in terms of quality of regulation, and secondly that regulations really do impact important variables like state intervention. See Martin Gilens and Benjamin Page, 'Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens,' *Perspectives on Politics*, 12: 3, 2014, pp. 564-581; Larry Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age Second Edition* (Princeton, NJ: Princeton University Press, 2016); Stefanie Walter, *Financial Crises and the Politics of Macroeconomic Adjustments* (Cambridge: Cambridge University Press, 2013); International IDEA, 'Political Finance Database,' 2012, <https://www.idea.int/es/data-tools/data/political-finance-database> <Accessed August, 2018>; Pippa Norris and Andrea Abel van Es, 'Does Regulation Work,' eds. Norris, Pippa and Andrea Abel van Es. *Checkbook Elections? Political Finance in Comparative Perspective* (New York: Oxford University Press, 2016).
- ²⁰ Michael Goodhart, 'Europe's Democratic Deficits Through the Looking Glass: The European Union as a Challenge for Democracy,' *Perspectives on Politics*, 5: 3, 2007, pp. 567-584.
- ²¹ Paul Mozur, 'A Genocide Incited on Facebook, With Posts From Myanmar's Military,' October 15, 2018, *New York Times*.
- ²² National Science Foundation, 'Science and Engineering Labor Force: Immigration and the Science and Engineering Workforce,' 2018, <https://www.nsf.gov/statistics/2018/nsb20181/report/sections/science-and-engineering-labor-force/immigration-and-the-s-e-workforce> <Accessed August 2018>.
- ²³ The causes of the rise of right-wing populism is hotly debated, although some aspects are becoming relatively clear. Individual voter surveys reveal strong links between voter hostility to immigrants or outgroups and support for right populist candidates. See Cas Mudde, *On Extremism and Democracy in Europe* (New York: Routledge, 2016); Matthew Goodwin and Caitlin Milazzo, 'Taking Back Control? Investigating the role of immigration in the 2016 vote for Brexit,' *British Journal of Politics and International Relations*, 19: 3, 2017, pp. 450-464; John Sides, Michael Tesler and Lynn Vavreck, *Identity Crisis: The 2016 Campaign and the Battle for the Meaning of America* (Princeton, NJ: Princeton University Press, 2018); Florent Gougou and Simon Persico, "A new party system in the

making? The 2017 French Presidential Election,” *French Politics*, 15: 3, 2017, 303-321; Achim Gorres, Dennis Spies, and Staffan Kumlin, “The Electoral Supporter Base of the Alternative for Germany,” *Swiss Political Science Review*, 24: 3, 2018, 246-269. Voter attitudes appear to be relatively sensitive to framing effects. For an excellent review, see J. Hainmueller, and Daniel Hopkins, Public Attitudes toward Immigration. *Annual Reviews of Political Science* 17, 2014, pp. 225-249. Those stressing globalization or long-term economic decline can explain some of the regional variation of populist support, but not variations at the individual level.

²⁴ Lawrence Freedman, “Trump and Brexit,” *Survival*, 60, 6, 2018, 7-16.

²⁵ Goodwin and Milazzo, ‘Taking Back Control? Investigating the role of immigration in the 2016 vote for Brexit.’ Sides, Tesler and Vavreck, *Identity Crisis: The 2016 Campaign and the Battle for the Meaning of America*.

²⁶ speech by Viktor Orbán, “Speech at the XXV Bálványos Free Summer University and Youth Camp.” *Báile Tuşnad*, July 26, 2014.

²⁷ Seva Gunitzky argues that waves of democratization and autocratization have generally followed global power shifts. See Seva Gunitzky, ‘Democracy’s Future: Riding the Hegemonic Wave,’ *Washington Quarterly*, 41, 2, 2018, pp. 115-135.

²⁸ Samuel Huntington, *The Third Wave: Democratization in the late 20th century* (Norman, OK: University of Oklahoma Press, 1993).

²⁹ And it could be argued that China is only just beginning to translate its immense economic bulk into global influence. For instance, China still mostly lacks power projection capabilities, spends little on its military, and has yet to fully liberalize its financial system.

³⁰ Cynthia Roberts, Leslie Armijo and Saori Katada, *The BRICS and Collective Financial Statecraft* (New York: Oxford University Press, 2017).

³¹ John Ikenberry, ‘The end of the liberal international order?’ *International Affairs*, 94: 1, 2018, pp. 7-23.

³² Mark Blyth, *Great Transformations: economic ideas and institutional change in the twentieth century* (Cambridge: Cambridge University Press, 2002); Mark Blyth, *Austerity: the History of a Dangerous Idea* (New York: Oxford University Press, 2013).

³³ Alan Gerber and Gregory Huber, ‘Partisanship, Political Control, and Economic Assessments,’ *American Journal of Political Science*, 54, 1, 2010, pp. 153-173.

³⁴ In that sense, the popular debate over whether economic anxiety led voters to support the populist far-right misses the mark. Economic anxiety led to Keynesianism and financial regulation. The response to the 2008 crisis may have generated anxiety among economic elites, leading some to support more polarizing candidates (on cultural or social issues) in order to reduce the salience of economic issues.

³⁵ Ana Swanson, ‘Trump’s Trade War Spooks Markets as White House Waits for China to Blink,’ June 19, 2018, *New York Times*.

³⁶ Francesco Galietti, “Foreign Funding Could (Legally) Tip Italy’s Upcoming Election,” February 28, 2018, *National Interest* and Francesco Galietti, *Sovranità in vendita. Il finanziamento dei partiti italiani e l’influenza straniera* (Milano: Guerini, 2018).

³⁷ The idea of the ‘boomerang effect’ was that civil society actors in authoritarian countries could respond to domestic obstacles against pressing their concerns by appealing to transnational networks that, in turn, could press third party states and NGOs to influence their repressive states. Margaret Keck and Kathryn Sikkink, ‘Transnational Advocacy Networks in International and Regional Politics,’ *International Social Science Journal*, 51, 159, 1999, pp. 89-101.

³⁸ For instance, de Graaf and van Apeldoorn discuss the possibility of ‘transnationalizing corporate elite networks with Chinese characteristics.’ See Naná De Graaf and Bastiaan van Apeldoorn, ‘US elite power and the rise of ‘statist’ Chinese elites in global markets,’ *International Politics*, 54, 3, 2017, pp. 338-355; Naná De Graaf and Bastiaan van Apeldoorn, ‘US-China relations and the liberal world order: contending elites, colliding visions?’ *International Affairs*, 94, 1, 2018, pp. 113-131.

³⁹ Dorottya Szrika, “Democracy and Welfare in Hard Times: the social policy of the Orbán government in Hungary between 2010 and 2014,” *Journal of European Social Policy*, 24, 5, 2014, pp. 486-500.

⁴⁰ Neil Buckley and Andrew Byrne, “Viktor Orbán’s Oligarchs: A New Elite Emerges in Hungary,” December 21, 2017, *Financial Times* and István János Tóth and Miklós Hajdu, *Intensity of Corruption Risks and Price Distortion in the Hungarian Public Procurement – 2009 to 2016*, Budapest: Corruption Research Center Budapest.

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