Marshall here. Welcome back to The Realignment.
Hey everyone, welcome back to the show. Hope you had a nice long weekend. I know Sager and I did. We ended up going to London where he got engaged to his now-fiance Jillian. So if you haven't got the chance, check out Sager's Instagram and leave a nice comment. Speaking of London, today's guest, Martin Wolf, is an associate editor and chief economics commentator at the Financial Times, which is based in London. His new book is The Crisis of Democratic Capitalism, and it's really unpacking what our current status quo looks like, how the system, defined as a Democratic capitalist one, doesn't work, who it serves, who it doesn't serve, what the alternatives are, and why he ultimately comes around to defending said system. If I could think about my entire political life basically since around 2007, it's really been defined by these big debates about our system. It's been defined by the 2008 financial crisis, by Occupy Wall Street, by Donald Trump's run in 2016 over issues around globalization, NAFTA, trade, immigration, and now we could be going into another electoral cycle where this debate continues once more. So it's always good to have an episode like this, checking in on the big narrative that's defining the current political moment. Well, that said, quick shoutouts. The sub-stack is going out tomorrow, so definitely check that out. The Supercast is how we support the show. Sager and I are going to be recording our next edition of Listener Q&A, so go to realignment.supercast.com. If you'd like to subscribe, get access to that bonus content, and of course, a huge thank you to LinkedIn Network for supporting our work. Hope you all enjoy the conversation. Martin Wolf, welcome to the realignment.
It's a pleasure. Here's the first question. Why write this book now? It seems like one could have written a book about the crisis of democratic capitalism, basically at any point from 2008 onwards. So what about February 2023 feels particularly important to you?
Well, the simple answer to this is I started writing it in 2016, so it's taken me a long time to write. The reason I didn't write it before 2016 is that I wrote a book on the crisis of capitalism, which appeared in 2014 and was about the financial crisis and why it happened. So it's mostly focused on the economics and the financial forces that created the crisis, and that took me from I don't remember exactly 2012 or 11 to 2013, and then it was published. And so I've been writing about this effectively since shortly after the financial crisis, when it became obvious how big a deal it was. The real question is why did this book take me so long?
And the answer to that is two completely different dimensions. First, I have a day job writing columns for the financial times. And while I'm doing that, I find this intellectually very demanding. FT readers are obviously professionals in economics and finance, so I have to be on top of this. And so I can only write books in my vacations. And so what I've normally done in the past with major books is write them in two vacations and then finish them off before they're published. But in this case, summer vacation, but in this case, I found that I had to learn so much beyond my normal writing on economics. And I had to think so much about things I hadn't thought
about carefully for decades, particularly about the links between politics and economics and international relations. And therefore, what was about economic and political history, about political philosophy, I ended up going back thousands of years in the history and two and a half thousand years on the philosophy. So it turned out, I mean, much more demanding than

I expected. And then, of course, worse, things kept on changing. So I thought I got it more or less worked out what was going on. And then there was COVID. And then there was the last presidential election in the US, which is a big moment. And then there was the Ukraine War. So it was all very, very difficult to keep on top of this. And that's why it's taken so long to finish the book. And then once I'd finished it was a lot of editing, because it needed a lot of sorting out much more than my other books. So that's basically it. I've been at this in a way since the financial crisis. But this book just took me a long time to work out in my own mind.
Your point about needing to learn about fields and spaces you didn't participate in, what specifically were those and what did you learn that contrasted with your prior focus areas?
Well, I mean, I had the benefit that a very long time ago when I was at university, first of all, I studied the classical languages. So I was quite familiar with ancient philosophy. And I then studied politics, philosophy, and economics at Oxford. So I did all three subjects fairly well. But since then, and this is now a long time ago, more than half a century, I've been working as a manus and economist. I worked as a professional economist, the World Bank, and elsewhere for about 15 years, then I joined the Financial Times. And though I've written quite broadly at the Financial Times on many issues that border on international economics, my specialist area is economics, international economics, financial economics. So that's most of what I've done in the last 35 years or so. So what I found I had to do is do quite a lot of reading on the history of the relationship between market capitalism and democracy, how they evolved. I had to do quite a lot of reading and thinking about the history of the relationship between systems of political power and the economic system, which are related closely, but they're not the same thing. They're part of the complexity of human societies and have been since the beginning. So this stopped
me back really to the hunter-gatherer society from which we all originated. And then I had to find out a lot more about more recent developments in politics, what people thought populism meant. It's not something economists think about, except they look at what governments we call populist do in policy. I discussed that, but I was more interested in what does populism mean? Does it mean a single thing or does it have multiple meanings? Does it matter what sort of populism you have? How is populism related to economic developments? How do populist coalitions get formed? What is the borderline between populism and non-populism? This all became very complicated to me. I learned an immense amount in doing this. I'm not saying I've got it all right. I never think that I'm getting all right. That will be ridiculous, and I'm sure the book could be measurably improved in many dimensions. But I had to work all this out, then I had to get into an integrated and coherent whole, which gets it more difficult when you're including so many moving parts. So in the end, the book, apart from my personal history, which begins there, includes two, I think rather good chapters on the relationship between capitalism and democracy and on the history of that relationship. Then there's a long section on what's happened to the economy in our societies, particularly of why, and then what's happened to politics and how that's related to it. Then I start looking at reform possibilities, and that goes over many, many areas before I look at international relations and the implications of all these for international relations.
So the book is very ambitious and inevitably, therefore, the more ambitious something is, the more flawed. That's inevitable, but that's essentially why it took so long.

And of course, what I'm kind of wondering to the point of your background, your writing for the Financial Times, you began your career at the World Bank, it seems like many of the criticisms you filed a column from Davos a few weeks ago, many of the criticisms of democratic capitalism seem to be directed towards persons such as yourself or people who read what you write. How did writing this book and going on this intellectual journey inform you how you think those criticisms are valid or invalid?
Well, in the circles I move, it's more balanced. That is to say, obviously, we're at a point at which the political center in our societies has hollowed out very substantially. I mean, it's particularly obvious in the U.S., but it's true in most of our other societies. So active thinking people on the left have sort of come to the view increasingly, I think, I mean, I'm being a bit glib, but there's a limit to how much time we can spend on this. Capitalism was sort of a mistake and we should get rid of it and replace it with something else. But the people I know and write for, obviously, most of them capitalists, they think the problem is irresponsible and foolish politics and that should be stopped. Now, my view is both sides are completely wrong. They're wrong, obviously, for opposite reasons. And my argument, which I think will at least be controversial and will sort of offend everybody equally, that's my aim, is that actually, though, people on both sides don't realize it, they need the other. That is to say, you can't have a working democracy without a market economy, whether you call it capitalism or not, is not to me at all, because this was a word invented in the early 19th century, essentially a product of Marxism. And I don't care what you call it, it's just what we got used to calling it. I think it was a market economy. And if you want a democracy, you're going to have to have some sort of market economy. And on the other hand, if you want a proper market economy, you need democracy to protect it from the excesses of predatory capitalism. So I think that's the history. I think it's also the reality.
The one way in which my thinking has changed or evolved, and it's really over the last 15 years or so since the crisis, is that I've come to the view that the developments in the economy, that is to say, the developments of modern capitalism, are a significant part of the problem and have destabilized politics in our societies, at least in significant measure, leading to reactions that seem likely to destabilize significantly both the economy and even more the politics with the possible collapse of democracy itself. So I'm much more anxious than I was. And I'm more concerned now than I would have been, say, 30 years or 40 years ago about the political, I'm less concerned about the political aspects, though they're very, very concerning as about the interaction of the economics with the politics.
Something I'm curious about is to what degree, what are the bounds of capitalism? This is especially interesting because you're coming in from the United Kingdom. So you could definitely talk to a right-wing capitalist in America, and they would say some form of socialized medicine is beyond the bounds of capitalism. But obviously, I think you would argue that the United Kingdom for everyone's various couples with the NHS is still a market democracy. So let's just understand the bounds to understand the alternatives that leftists are proposing.
Okay. So I'm approaching this broadly speaking now from a European perspective inevitably, an outsider's perspective. I've lived in the US for 10 years, a long time ago, and I know Americans obviously pretty well, American history so pretty well. But my perspective is that a modern democratic capitalist society has to seek a balance between the way the market, the workings of the market on the one hand and the workings

of politics on the other. And in particular, it is an inevitable consequence of universal suffrage democracy, which I strongly welcome, that people will seek and have sought in every developed democracy without exception, a large state able to provide basic insurance for people against risks that they cannot insure themselves against efficiently on their own. And one of them is health, as you mentioned. For the United States, it is the only market democracy that I know of which doesn't have a universal health system. It makes the US an extreme outlier in this respect. But it's also an extreme outlier in other respects in giving women maternity leave, for example, I'm not doing so, or giving generous paid leave. There are all sorts of interventions which are completely normal in every other democratic capitalist country, which the US regards as an aphema. I think that creates, it's an open question, how much this helps the US economy. I think it's not that much. But it's pretty clear to me, it creates radical insecurity in the United States. And one of the consequences of that is that losing a job in the United States tends to be a far more traumatic event than it is in other developed capitalist societies. And I would insist that Germany, Britain, the Netherlands, the Scandinavian countries, Japan completely different again, Korea again differently, these are all market capitalist societies of different kinds and shapes, which have been molded, of course, by the politics and history of their specific countries, which are called very different from America. But in exactly the same way, the United States of today
is, if you look at what the government spends, if you look at regulation, if you look at antitrust policies and all the rest of it, it's completely different from the United States capitalism of 1880 or 1890. And that's a consequence, of course, of a long history of battles within American politics over the boundaries to be, the interactions to be created and the boundaries to be constructed between capitalism and democracy. The, and I'm arguing in my book that where we got now, for various reasons, which I explained, some of it is because of policy
mistakes. And some of it is because of forces that were really large outside of our control. But what we've now got is a relationship that is somewhat dysfunctional, not really somewhat, very dysfunctional. And one of the symptoms is an enormous upsurge of what the Americans call pop what you would call populism in on both the left and the right and a rejection of the middle. And my argument essentially is if that continues, there's a very real risk of political breakdown, and possibly the emergence of some form of autocracy. And if that doesn't happen, it will be a raise in an outright plutocracy. And that in my view would be catastrophe. So it's about rebalancing all this. And I see this from what we would call a social democratic or a social market perspective, which are the dominant perspectives on this within the European framework. I'm curious, because it seems like an issue that gets the center of the dilemma you're describing would be entitlement reform, austerity and debt reduction in the American context. You're already seeing a debate over social security, Medicaid, Medicare cuts. How should US policymakers consider the need for stability at a debt level with also the fact that the folks who would see their entitlements cut would also be some of the folks who are under the same populist pressures. Donald Trump has obviously jumped into this by saying there should be no cuts to these programs. How do you think about that? Well, to my astonishment and shock, and I agree with Donald Trump, my argument in the book is, of course, there are social choices

to be made. And the US has always tended to take social choices, which involve less state and less social insurance than all other developed countries. However, as I have pointed out, compared with what it was 100 years ago, clearly the state is vastly bigger and there are far more social programs than that. And my view is that it was absolutely inevitable once you've got universal suffrage because the great majority of people, and that's democracy after all, would demand these forms of social insurance. The battle in the US was much harder than elsewhere because the ideological resistance, as you mentioned, is so great. And of course, this was overlaying in the US context with race. I mean, intellectually, that's obviously an important part of the issue. Just think of the failure of social security to cover agricultural workers. That wasn't an accident. That was part of the coalition. But FDR created because the southern Democrats wouldn't support anything that extended social security to their farm workers who would result from nominally obviously African Americans. So there is deep history in all this, which makes America different. And then, of course, there's the federal constitution and all the rest of it. However, I don't think there is any chance whatsoever of rolling back the core of the entitlement state, or what they call entitlements, openly and honestly, because the overwhelming majority of Americans depend on them. I mean, they are really important for them. And social security provides their pensions.
And then what they live on in retirement, it provides, of course, unemployment insurance and Medicare, Medicare between the Obamacare, whatever you call it, provide enormous amount of subsidized healthcare. And people really need this. So I think Trump's perception that if the Republicans are seeing to try to close all that down, they're going to get hammered. I may be wrong. I could well be, but I think that's what he sees. And he always came forward as a sort of modestly big government populist, with the exception, of course, that he went along with all those tax cuts. And the result of that is Trump wants to preserve the spending, but not allow the taxes. Is he created a huge structural fiscal deficit, which has continued ever since.
So the dilemma is in the US base. And that's why it's so, by the way, it's not so dissimilar here. It's much worse than it is in Europe. Is that the American people really want certain forms of entitlements, as you call them, or we would call welfare spending. You use the word welfare in a different sense. Many parts of the language is different, but it's the same thing to me. American people want this to continue. The majority tell you once they continue.
But they don't want to pay the tax for it. Or the people who have the money, certainly don't want to pay the tax for it. So the solution, if it's a solution, has been to run very large deficits, which are probably in the long run unsustainable. So that's a political challenge. In my view, my book is very, very clear. It applies to Britain. We're not so different in this respect. Is if you want certain entitlements, because they provide a form of insurance, which allows people to live with some sense of security and perfectly understandable and inevitable in a universal suffrage democracy, then you have to be prepared to raise the taxes.
I think it's perfectly possible to raise taxes in ways that are not particularly harmful.
They hugely exaggerate the cost of higher taxes, in my view. And that will be the honest debate. The honest debate is, do we want this stuff? And if we do, how much tax should we raise in order to pay for it? And who should pay for it? Now, it's obvious in a country like yours where politics is funded by private donors, and many of them are very, very rich. They obviously want to ensure they don't pay taxes. That's one of the reasons they're funding politics. And so this is a very, very fraught debate. But I can't imagine that you will get a significantly smaller

set of entitlements in a politically stable way in a democratic process. What will happen, if that's what happens, is ultimately, one way or the other, there will be more populism, or the plutocratic forces will basically diminish voting rights one way or the other. It won't be a stable outcome. So my core view in my book is, if you want democracy to survive, and you want free markets to survive in much of the economy, you have to accept the implication that there are certain functions the state is going to perform to provide insurance for the voters, and particularly the voters who don't have much income, wealth security, which is the majority. And that's just the price of having a democracy. And if America doesn't accept that as a body of policy, then you're going to end up with that democracy. You said something earlier that gets to the core of the polarized nature of the debates, which is the difference between policy choices and issues that are out of any one person's control, and are therefore meant to be handled rather than set. How would you distinguish those two things? So you could, for example, I had your FT colleague, Rana Farooharan, to talk about globalization. She would argue that a lot of the situations from the 1980s onwards were affirmative neoliberal policy choices that led to X, Y, and Z. Where would your analysis diverge, or maybe it's the same?

No, it is somewhat different. First of all, I'm much keener on trade than Rana is. I'm pretty clear that the evidence of the last 30, 40 years is that trade played a significantly smaller role in this story than she believes. And I've got a very lengthy analysis of all this, very detailed mention numbers of tables and charts and reference to literature on this. So I'm not going to bore you by going through all that. I think there have been three things going on in a very big way. The first is absolutely fundamental economic changes, which we could do very little about. So to give you one very important example,

there are many others, but to give you one very important example, deindustrialization, that is a reduction in the proportion of the labor force employed in industry, has occurred across all high-income market democracies in the last 30 or 40 years, and it has been quite dramatic. It's occurred in countries with very large trade surpluses, and it's occurred in countries with large trade deficits. On the whole, countries with large trade deficits tend to have a lower ratio, other things being equal to countries with surpluses like Germany or Japan, but the decline is marked and it's continuing. And the main reason for that without a doubt is technical progress and a massive reduction in the requirements for physical labor to make things. Broadly speaking, we've moved increasingly towards roboticized, in various forms, production systems. Our demand for these outputs is not growing very rapidly. We are shifting away increasingly from the margin, from the demand for manufacturers to demand for services. A lot of that is because in your country and most other Western countries, everybody has one, at least one of all the machines you can possibly imagine. We all have washing machines and cars and refrigerator rages, and now we all have, we're on iPhone 10 or 11 or whatever it is. So we're talking replacement, manufacturing for us, is basically replacement. And that combined means manufacturing, private extended fall. Of course, it's also fallen because a lot of manufacturing is shifted to China.

Most of that, not all by any means, has gone to make manufacturers for Chinese people. Not trade is important, but it's not valuable. Second thing that has happened, which is just a fundamental process, is again, technological change has given a big advantage over the last 30, 40 years of skilled workers, and particularly skilled workers in Wentz University, college educated people, visit the non-college educated people. There's been a massive shift

in demand for labor. You can see it in every country and decline in relative wages of people
who have not been to college as opposed to people who have been to college. And this is to do with
the nature of modern technical progress, its focus in the IT sector and so forth. And finally, again,
because I could go forever, this is all about work, but finally, the new giant profitable
businesses, and this is again, natural, it's not a fraud, are not entities like GM or Ford or US Steel
of the entities of 60 or 70 years ago, which employed immense labor forces of hardworking,
but not very highly skilled people, could come straight from the farm and work in these factories
and GM, I can't remember, employed 600,000 or 700,000 people, if I remember correctly.
Well, now you've got Apple, that's probably the most valuable company in the world,
but in the United States, it doesn't hire very many people, and certainly it doesn't hire any
unskilled people. It has very tax-severing people, and that's where it's gone. And what you end up
with for most unskilled people is working in Amazon warehouses or working in fast food or
anything like that, much more difficult to organize, much lower wages, relative wages,
and so forth, the casualization, if you like, of the labor force. Now, these are immensely powerful
forces which were bound to happen. But then over and above that, which we just didn't think about,
there was trade, which was, as I said, a moderately important factor. But again,
there you shouldn't, wherever, China was going to rise, whatever. We weren't going to be able to
prevent that. And China's competition in third markets would have undermined the position of
our manufacturing anyway, even if we could protect our own markets. So these are all
pretty fundamental things. But over and above that, this is where I very much get a weird run at.
We had very significant problems, and I can't go through this detail because in my previous books,
but in sustaining aggregate demand, a lot of that came to depend on private credit.
We had extraordinary explosions of private credit, creating very serious debt problems
throughout the world, including very much in the US for households without a lot of money.
We had shifts and changes in the way corporations were organized to the move
towards shareholder value maximization and shareholder control, which shifted the distribution
of income within corporations dramatically away from the workers towards the managers and
shareholders.
We had the collapse of competition policy, which really allowed the emergence of a new
breed of dominant cartel type companies. And the network effects of the tech sector made those
even more powerful than they were 100 years ago at the time, in the early 20th century in the US,
at the time of trust busting. So those changes created what I call
run shade capitalism. And finally, because of political changes linked to the power of
money and politics, particularly in the US, but also elsewhere, tax systems were increasingly
shifted away from taxing capital and the owners of capital, the use of offshore havens allowed this.
And you get this strange phenomenon that actually, say in the US, the tax system becomes
regressive
towards the top. In other words, the proportion of income that is paid in tax by the wealthier
parts of the society less than those somewhat less wealth off. So those are political decisions,
and that reflects the shift in political power. So it's an interaction, complex interaction,
of things we couldn't do it, anything out about with things which we could have changed but chose
not to. And finally, it turned out at the end of all this process, we ended up being hit by an
enormous financial crisis. And after the financial crisis, our economies have never really worked
as well. Productivity growth has been relatively low, real incomes have been great relatively

slowly in the US, actually that started longer before, but it happened almost everywhere else. So we have ended up in a market economy called the SAC, in a sense, we've performance relatively weak. And a political problem, because so many people, I think, have felt abandoned and angry, and angry particularly against the elites who are running their society. And that is what I, be they left or right, but then there's a question where they go, that I think is the root cause of the populist outburst we have been seeing in the last 10 years or so in a really across the West. I'm sorry, name the answer, but it's the best I could do. I've summed up my arguments. No, look, it's the format of the show. This is your platform, so you can do I appreciate the answer, but you can do whatever you want with the opportunity. So a couple big questions as we are in the final section. Number one, to your point about populism, we had populist reaction. The US this really manifested itself as both the Tea Party and then at a smaller level, Occupy Wall Street, then we get into Brexit and Trump. How would you assess
the results of that 10-year populist moment? Good, bad, mediocre opportunities, questions answered, wherever you want to take it. Well, let me just answer in two ways. I just wanted to find what I've come to think of as populism, because it's very helpful in thinking about where we might go. So I take it that all populist movements share one characteristic, which is they can see the political struggle as one with between the people at large define one way or another and elites. It's all populist movements share an anti-elitist, an anti-elite philosophy, but the elite, they're against the berries. It's not always the same elite and generally the left elite, the left populist will invade against big business, capitalists, the rich and that's what you saw in Occupy Wall Street. And of course, it's very, very clear in some of the great speeches of FDR, who I sometimes think was the most successful populist politician in world history. And I'll come to that in a moment if you like. It's populist in this sense. Then there is another aspect of populism, which is much more sinister. And I learned this from a German professor who teaches a Princeton that populism can also be anti-pluralist. That is to say, it goes beyond what I've just said to say, well, I represent the real people. You are the real people. You support the other real people. And the people on the other side are not the real people. They're traitors. They're enemies. They have no legitimate place in the political system. And at that stage, it becomes potentially the precursor of a civil war. And if it's a real autocracy, which basically deprives a significant part of the population of political rights. And that's obviously really dangerous because it's where it becomes anti-democratic. And obviously, the most extreme version of that sort of ideology, and I'm not comparing it other ways, is the fascism of the interwar years in Europe. If you're looking at anti-pluralism, the list of all the enemies of the people becomes very, very long. But the communists did the same. But they didn't vis-à-vis all capitalists or anyone associated. Now, what sort of populism you have depends, determines very much what then happens and how bad it is. But I would say one thing most populist movements have had, they're anti-league, is they don't do coherent policy. They could, logically, but they don't because the anger is the thing. And trying to present coherent policy involves some of the painful choices we talked earlier about. Like, well, I want to keep these entitlements, but I don't want to pay any more tax. So most populist regimes around the world have tended, for example, to pretend there are no such choices. And that means that they tend to run huge fiscal deficits. They tend to assume away all the obvious choices that realistic politicians have to confront. And that tends to mean, on the whole, that they

are not very successful in running their economies in the medium to long run. So there's a lot of research that shows that populist regimes tend to do rather badly in terms of delivering results for their countries. Probably the continent that has spent most time with the sort of populism, populism type, one I've discussed, is Latin America. And with very few exceptions, it has a work variable because the regimes tend to be so intellectually undisciplined. Of course, once it gets to anti-pluralists, anti-pluralist populism, it's very different. However, there are populist regimes that have, if you like, populist causes, causes in which people are motivated against what is seen as predatory elites, in which fairly serious policymaking occurs. And I do think, that's why I mentioned him, because he's thought of a hero, Michael, why FDR is so important, because he did employ a lot of very, very bright people to make some very, very important fundamental reforms. For instance, they created social security. And I think that was a very important, positive thing to have done. I understand that for the American right, they want to undo it, but I'm obviously on the opposite side. So I would say the populism we've had so far, which is in America, Trump and his Trump administration, most obviously Biden's administration is clearly not really populist. It could have been, but it isn't. Brexit, these have been pretty bad policies. They haven't worked. British economic performance has been worse than that of all continental European countries. I don't think Trump ran the country very well. And I think he left some very, very difficult legacies fiscally and in other ways controversial, but that's my perception. In the continental Europe so far, the populists have not yet gone into power, though they are increasingly likely to do so. And if they do, I think they are likely to create very severe problems for their countries, because the essence of the populist approach to politics tends to be, we don't recognize constraints. We think we can have it all in some very, very simple way, because that's why I promise my supporters, you can have it all. But we haven't had this wave of populism long enough, except possibly in Britain and America, to know how this is going to end. I think it's still early days in this cycle, in this particular cycle of populism. But what we see in the research, and there's a lot of research on populist regimes around the world, they don't tend to work very well, precisely because the elites, they reject. And to include pretty well everybody with any expertise in the subjects that are required. For instance, yeah, I accept you can run the economy without paying much attention to most economists, but you can't really run it very well if you pay no attention to them because you think they're all the enemy. And those are the types of problems that arise. If you take the view that elite expertise is irrelevant to running a society, a modern complex society, and that's one of the issues I discuss in my book, what is the role of expertise? How does it fit into democracy? These are really difficult questions, but you can't pretend that an immensely complex modern society can function simply based on the intuitions of a leader who never reads anything. I mean, that's, I think.
So here's the big sum up question. Listeners are going to be aware of the FDR story. You've done a couple episodes on him. I'm curious for you to sum up the episode then. What lessons can be taken from the British side of these debates? I think a way of telling the history of 19th century, the 19th century United Kingdom is a story of reconciling democracy and capitalism. Are there any specific reformers or movements or just general frameworks that American listeners who are a little less informed of that can really into it?
That's a very interesting question. I tend to think that the US is sui generis, but it's not completely so. The first of all, history is unique. It's scale, but probably

the most important difference is very important in understanding the issue of the UK, is that the UK emerged, as it were, naturally involved out of a feudal society as all continental, as all European countries did. So they started with a society that was completely different from all modern societies and served them and all the rest of it with an obvious exception, but even that was completely different in its impact and in court of slavery, which I'm going to put to one side. But otherwise, these were feudal societies and capitalism erupted in both or unplanned, unintended as a result of conflicts which go back really to the 16th and 17th centuries,
in the case of the UK, particularly the Civil War. What then happened is a new economic system emerged in the 18th and 19th century, starting the Industrial Revolution, and this led to a series of social upheavals which the dominant class, which was a land-owning aristocracy, this was a land-owning aristocratic country, as you'd expect of such a society. And to decide and to adapt to this, sort of know what most of the US was like, though it was obviously no way, South was like, it's a different story. Now, the land-owning aristocrats in the beginning of the 19th century, in a sense had a choice. Do we resist all the pressure for opening up the political system? So the rising bourgeoisie, the rising capitalist class, the rising middle class, then the rising working class, all of which were being created by this tremendously powerful economic engine that we have begun and never planned, but it's just working and it's making this tiny island rather powerful. And in the end, in the British case, they decided and it's a whole series of things. I can't list all the people in a series of reformats that resistance to the demand for extending the franchise was a far more dangerous path than opening it. It took 100 years, roughly, from the first reformat to the last one. In fact, it was actually 98 years to be precise. When we ended up with universal suffrage democracy, and there were lots of including women, and there were lots of struggles on the way. But the general course was that all the leaders decided at each stage, well, we're not going to have a civil war. We've done that. We had that in the early 17th century. It was a catastrophe. We're not going to do that again. So we're going to adjust. Now, not everybody made that decision. The German aristocracy made the opposite decision. And that's one of the reasons for the different political history in Britain and Germany. And I won't go into why that happened. That's a whole other five episodes at another time. But that's what happened. And as the rising working class became an increasingly powerful element in the body politic with our labor parts, you've represented them. And it's what really happened with the Democrats in early 20th century America. It ended up with a decision to create a highly social democratic state in the late 40s after the Second World War.
On the Second World War, the wars played a huge role in this because they mobilized the higher population. If you're going to mobilize the whole population, you have to give them something.
That's what happened. Since the heyday of social democracy, we have sort of gone back on it. We've diminished the size of the state. And my view is we've probably gone a bit too far. But that's been the battle of the last 60 or 70 years, though we had something called the Thatcher Revolution, which is a bit like the Reagan Revolution. It didn't really reverse that much of all this. The basic settlement in the middle of the 20th century is held up. The problem is the economy hasn't worked very well for all the reasons I've explained to you. It's moved against the end of the working class, the reasons I've explained to you. And we are now at the point, I think in this respect, like America, trying to decide, well,

what should our system look like over the next 30, 40 years? And how do we sustain the legacy of democracy which evolved in this long-term process with the market economy that preceded it and, in my view, as explained in the book, also very significant measure created it. I think we are at a point in our history, and this is the way in which I think there is somehow managed a week together these bits, and we really have some big decisions to make, which is socially, what do we want? Do we want to go back to 19th century capitalism really without democracy? I think that's what the libertarians want. Do we want, and I've discussed books that argue that, which are basically reverse democracy. Do we want to abolish capitalism, market capitalism altogether, replace it with something else? If so, what? Nobody really seems clear about. Or can we redo this marriage in our different circumstances, and I'll explain why it's very de-industrialization, slow productivity growth, technological changes, China and all the rest of the media are out there. We're not going to have them enough. Can we do that? That's the theme of this book. I don't think I need to have all the answers, but I think that's what we have to address in our politics. That is an excellent place to leave it. Martin, this has been a really, really helpful conversation. I think folks have a bunch of different places.
They could take the follow-up, but I really suggest they check out the book as well too.
Thank you for joining me on the realignment. It's a great pleasure. Thank you.
I hope you enjoyed this episode. If you learned something like this sort of mission or want to access our subscriber exclusive Q&A, bonus episodes and more, go to realignment.supercast.com
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