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1. Market and democracy

How has globalization affected democracies? To frame this question, Jean-Paul Fitoussi turns to a reflection on a classic question, the nature of the relationship between market and democracy; he claims that since the two institutions are based on opposite principles (the former on individualism and inequality, and the latter on public space and equality), there is a permanent dynamic tension between the two. The relationship can be contrasting or complementary: contrasting, because the property rights and the other requirements for the functioning of markets are defined and enforced by political power, which implies a subordination of economic principles to democratic ones, while the criteria for evaluating a policy or reform are primarily economic, which implies the opposite subordination. The relationship is also complementary, because “democracy, by preventing exclusion by the market, increases the legitimacy of the economic system, and the market, by limiting the grip of politics on people's lives, allows greater adherence to democracy” (Fitoussi, 2002, p. 8).

But the two complementarities do not seem to work reasonably well. JPF notes that the market can achieve an equilibrium compatible with very high inequality despite Paretian optimality and wonders why in many countries, given the current historical conditions, the redistributive programmes have not proved effective in correcting excessive inequalities and preventing exclusion by the market.

The rationale is that under competitive conditions, any redistributive policy decision will create winners and losers in the short run, and in order to make an acceptable proposal, the task of politicians is to find the difficult path, if there is one, that improves the welfare of the entire population in the long run. The question then becomes, what are the conditions under which it is possible to find a majority in favor

of a proposal that involves an uncertain exchange between a short-term loss and a future collective gain?

According to Mancur Olson,¹ “Unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interest” .

But in most societies, large numbers of individuals cooperate because of *self-coercion*, that is, moral principles and social norms guide their actions. I will call the behavior of these individuals “forward-looking”, because cooperation requires placing more value on a future collective gain than on a present loss, and this attitude sometimes presumes a vision of the future of the society. We know from experiments and field data that the two forms of behavior, selfish and forward-looking, coexist, and this makes the cooperative process unstable. So, the problem is what stabilizes the process, and in particular what kind of social and moral norms are relevant to allow a majority to vote for a redistribution that reduces inequalities.

Throughout the history of twentieth-century democracies, the parties, despite conflicts over a wide range of policy issues, have shared a “common core” of principles, ideas, and institutions that guarantee the essence of the democratic system. By “common core” I mean a set of social norms and principles – such as freedom of thought and speech – that constitute the basic rules of the democratic game by which citizens and parties agree to play and that are, by and large, universally accepted. Some elements of the common core have “constitutional” status, that is, they are not considered politically contestable in the long run: their persistence guarantees the long-term stability of a political system.

Because it contains principles that have been unanimously accepted, the core is characterized by some egalitarian principles, characteristic of democracies. These principles have the property of preserving or enhancing democratic rules and protecting minorities from the domination of the majority and make plausible that a majority of forward – looking citizens will vote for a redistribution that reduces inequalities.

1. M. Olson, (1965) *The Logic of Collective Action*, Harvard University Press, p.2.

Nearly twenty years ago, Dan Usher² defined a similar concept: a “system of equity”. As Jean-Paul Fitoussi notes, the “systems of equity” can differ from country to country; different democratic countries are characterized by different institutional structures, because norms, principles and institutions have an historical origin and progressively compose the core; this, as Fitoussi emphasizes, allows a stable complementarity with the market. He notes that the different histories of social policies within the OECD countries have been compatible with very similar economic performances.

2. The impact of globalization on democracy

Before the advent of globalization, the complementarities between the market and democracy allowed parties to make credible proposals for reforms to improve welfare in the long run. The durable capacity of parties to implement long-term reforms has been progressively reduced by the advent of globalization: the impact of “systems of equity” is limited because they are specific to each country, while the scope of action of multinationals and the reference markets of companies are located all over the world, in a large number of different countries, each with different political regimes, not necessarily democratic. Then the effects of the “system of equity” are limited because they are specific to each country, while globalization has meant the growth of huge multinational corporations whose reach is beyond the political power of any single country. Corporations are global, while the “system of equity” of democracies has not been globalized.

This gap has had a negative impact on the credibility of political parties. In fact, citizens traditionally share a system of moral values and ideals with the party they are willing to vote for: a sharing of principles that guarantees the accountability of the leading party and provides citizens with the motivation to accept the risk of loss without defection. The increasing dominance of globalization and its principles has reduced the relevance of the ideal principles that traditionally inspired the great historical parties, which have lost their role of guaranteeing the feasibility of long-term projects.

As long-term perspectives become irrelevant in a political campaign, the need for an accountable leader with moral principles to ensure the

2. Dan Usher (1981), *The Economic Prerequisites of Democracy*, Columbia University Press.

fulfillment of long-term promises becomes less important. Thus, many emerging political parties find it more convenient to offer a political perspective based on short-term populist promises rather than one that requires verifiable and longer-term political strategies. The success of new emerging leaders is no longer based on the strength of shared ideals, but on popularity gained through the media system in many different fields: whether movie actors or millionaires, these new leaders are basically stars of the media system – with no political ideals and no expertise in state affairs – who decide to enter the political arena because they are already popular. Loyalty to a common ideal is then replaced by partisanship on the part of supporters and voters and maintained by constant media pressure; the consequences are political polarization and the spread of populism.³

Under these conditions, trust in the elites and in democracy decreases, and the gap between the democratic and egalitarian principles formally defended and real political behavior increases, giving rise to a language that limits critical thinking as much as possible and, in the words of Jean-Paul Fitoussi, “proceeds by erasing words, historical facts and theories, in short, anything that could shake today's political correctness”.⁴

Then, the supremacy of the logic of international markets over the political capacity of countries to make long-term reforms has changed the institutional landscape, making the competition for votes unfair, leading to a gradual erosion of citizens' trust in democracy.

Commentaire de l'article

Jean-Paul Fitoussi, 2002

« **Démocratie et mondialisation** »

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3. See M. H. Graham and M. W. Svobik (2020), “Democracy in America? Partisanship, Polarization, and the robustness of support for Democracy in the United States”, *American Political Science Review*, 114,2, 392-409.

4. Jean-Paul Fitoussi (2023), “The new speak and economic theory. Or How We are Being Talked To”, In *Capitalism and Society: The Journal of The Centre on Capitalism and Society*, Columbia University.