Is democracy in crisis?

Many believe that the world today is experiencing its largest democratic backsliding since the end of WWII, evidenced by declining election fairness, restrictions on civil liberties, and the expansion of executive power (Freedom House 3; V-Dem Institute 8). Prevailing views attribute this to the rise of populism and autocracy. Populists believe that the current political system can no longer represent the interest of average people, thus aiming to re-gain popular control by seeking anti-establishment leadership to “drain the swamp”. The anti-institutional populism consequently leads to autocracy as the executive leader portrayed as the representative of popular interests breaks down democratic checks and balances.

However, in this essay I would argue that populism and populist autocracy are not causes but merely symptoms of the contemporary democratic crisis. The sense of helplessness among the voters should be attributed to deeper structural reasons. In this essay, I would explore the role of neoliberalism - the world’s current economic system - in the shaping of the current democratic crisis and investigate the paradoxical relationship between free market and undemocratization.

The post-WWII era witnessed the rise of two competing political and economic ideologies, namely Neoliberalism and Keynesianism, with different conceptualization of the power dynamic between government and market. While Keynesianism perceives government intervention as a natural and inseparable part of economic cycle (Keynes 378), neoliberalism is concerned about the use of state-controlled economy by regimes in Russia and Nazi Germany as a means of oppression. For instance, Friedrich Hayek states in The Road to Serfdom that, granting government control over economic decisions inevitably leads to the erosion of individual liberty and the rise of tyranny (Hayek 91). Hence, neoliberalism emerges to disentangle governmental expansion from the sovereignty of individual rights, promoting policies centered around free-market principles of deregulation, privatization, free trade, and reduced welfare spending.

Keynesianism initially dominated post-WWII economies, yet its influence waned during the 1970s due to its inability to address stagflation. Neoliberalism consequently rose to dominate, a process accelerated by conservative politicians like

Ronald Reagan and Margaret Thatcher (Harvey 19-23). Since then, neoliberalism has fundamentally altered the relationship between democracy, citizens, and market by shifting the power balance towards the expansion of market autonomy and the retreat of state authority. Neoliberal concepts have been so prevailing and ingrained that many perceive the characteristic of today's economy, such as free market or minimal state regulation, to be foundational traits of economy, yet it's important to understand that it is merely characteristic of the neoliberal policies.

In the essay, I would argue that the dominance of neoliberalism plays an important role in the current democratic crisis, because its over-reliance on deregulation creates even more undemocratic political and economic relationships. I aim to demonstrate that the absence of government doesn't guarantee freedom as neoliberalism assumes, but instead creates new shackles, namely the monopolistic enterprises. The rising monopolies, which ironically gain momentum from neoliberalism, exacerbates inequality and creates increasingly unbalanced power dynamic between citizens and market.

The reason why neoliberalism doubles down on deregulation regardless of its side-effects is that it fails to economically differentiate between the subjects of "liberty." Neoliberalism assumes "individual liberty" to be one coherent entity, yet the reality is that the market is comprised of two fundamentally unequal players: the big businesses and mass citizens. While corporations are well-organized entities with unified decisions and thus large market influences, the concept of "people" does not exist in the market coherently because it's unequally difficult for citizens to take collective actions. The corporations are in nature on unequal footing compared with the atomized and scattered citizens. Moreover, by depriving governments of power to regulate the economy, neoliberalism also eliminates the government's role as a political organizer and facilitator for popular interest, further consolidating the dominant position of corporations.

After all, the paradox of neoliberalism is that, while it emphasizes liberty as its core value, the implementation of neoliberal policies creates an environment that fundamentally disadvantages individuals. This creates undemocratization through the deprivation of polio-economic power and freedom from the average people and their transfer to the corporations. For instance, Amazon alone generated over $630 billion in annual revenue in 2024 and spent tens of millions of dollars on lobbying (Statista Research Department). Thus, participatory power has become fundamentally imbalanced in the representative process in that the monopolistic corporations have gained far greater influence than that of citizens' votes.

The concept of Oceanic Games in formal model can offer structural insights into how undemocratization develops from neoliberalism. The Oceanic Games model describes a system where a small number of major players called "atoms" coexist with an infinite continuum of individually insignificant minor players referred as the "ocean" (Milnor and Shapley 2). Mathematically, the oceanic players are individual points within a continuum, for example, each single point x /in [0,1]. Every one of these players has measure zero and thus completely negligible on their own. The atomic players, by contrast, are discrete players outside the continuum who possess positive weight by themselves and hence mathematically "large" enough that their actions directly affect the equilibrium.

Such massive disparity between the ocean and the atoms accurately explains the disenfranchised position of individuals in free market economy. While individual citizens, consumers and voters are the "oceanic dots," the giant corporations, banks and monopolies act as the "atomic players," who possess enough coordinated resources to gain greater economic, political, and social influence than any average citizen does. The monopolies have great control over capital, technology, and most importantly the wages of citizens, granting them power to directly shape the economy; they also control redistribution of resources as political influence; and socially, they shape not only consumer choices but also the worldview of consumers and what kind of desires could become main-stream. For instance, during the postwar suburban expansion of the 1950s and 1960s, the California highway system was heavily expanded through the influence of automobile companies such as General Motors and oil corporations like Standard Oil, fundamentally restructuring urban life around private car consumption while weakening alternative forms of public transportation (Bloom 3). In this sense, the market dominated by monopolies has transformed not only products or the economy, but also the very structure of social and political organization.

As shown by the model of Oceanic Games, a free market doesn't create a free people. It may relieve the people from governmental shackles, yet it places them under the new shackles of monopolies.

However, the model of Oceanic Games is not a deterministic model with a prescribed destiny. Individual players can instead become collectively powerful through coalition. Metaphorically, although no single drop matters, the mass of water does. Mathematically, coalitions emerge when infinitely many negligible oceanic players are grouped into a measurable subset of the continuum (Milnor and Shapley 2). For instance, while each individual point x \in [0,1] has no effective power alone, a collection of points such as the interval [0,0.3] possesses positive measure, allowing the group to be capable of strategically interacting with atomic players.

In classical democratic theories, a representative government plays the role of such a coalition. Citizens could aggregate their preferences by selecting representatives through democratic processes to generate "a real unity of them all" (Hobbes ch. 17), transforming the scattered voices of the people into a unified political force through democracy. Citizens can therefore gain market powers similar to the monopolistic corporations. For instance, during the New Deal, support from millions of unemployed citizens enabled Franklin Roosevelt to impose policies of financial regulation and welfare reforms in protection of labor interests.

However, the necessary condition for individuals to transform into coalitions is now absent because the government has been removed from its position to transform public voices into policy practices. An ideal neoliberalism market freed from government is also freed from the will of citizens.

As governments internalize the belief that intervention is "beyond their responsibility" in neoliberal markets, the state evolves to cease setting holistic economic agendas that reflect public will. Consequently, democratic processes no longer play the role of organizing collective social interests. Citizens are therefore left increasingly fragmented, while corporations remain highly organized. In this sense, neoliberalism weakens not only the regulatory power of the state, but also its organizational and representative function within democracy itself. For instance, in the face of AI boom, millions of American workers become vulnerable to AI replacement and unemployment. However, under neoliberalism, governments increasingly regard strong intervention into the AI industry as economically undesirable or structurally impossible, causing democratic pressure from ordinary voters and workers to fail to translate into substantial regulation or protection. In comparison, in more state-regulated countries like France, voters can effectively pressure the government to promote a relationship in which AI assists rather than replaces human labor, thus allowing ordinary citizens' interests to receive more substantial protection (Direction générale des Entreprises).

In our world today, despite the global rise of democratic backsliding of populism and autocracy, many remain confident in the resilience of democracy as institutions continue to retain legitimacy, while citizens and civil society repeatedly mobilize to defend, restore, and regenerate democratic governance rather than abandon it altogether (Katz et al.). Thus, the current democratic crisis derives not from democracy per se, but from its critical component - neoliberalism - which undermines economic and political representation, alienating the public from meaningful democratic control.

The neoliberal crisis can find its roots back in the 2008 economic crisis and the following economic recession. In 2008, millions of global citizens lost their homes and became heavily indebted. The crash revealed neoliberalism's Achilles' heel: financial deregulation encouraged excessive risk-taking and undermined long-term economic stability. Moreover, it made devastated citizens aware of the inability of the current polio-econ system in protecting their interests: not only did the recovery process focus majorly on relieving corporations rather than average individuals, but also that regular democratic channels had been blocked from translating anti-bailout voices into policies. The failure of regular democratic channel pushed the public to resort to populism as its only expressive option. For instance, the Occupy Wall Street movement, embodied by the slogan "We are the 99%," reflected growing public frustration with a system perceived to serve financial elites rather than ordinary citizens (Gelder 15).

Borrowing from Callison and Manfredi, "zombie neoliberalism" is a vivid depiction of the paradoxical persistence of neoliberal policies and market logic even after the 2008 financial crisis, as neoliberalism continued to govern society despite being intellectually and economically discredited (Callison and Manfredi 1). The lingering continuation of neoliberalism inspired populist movements to directly re-gain control through circumventing the seemingly dysfunctional representative institutions and seek anti-establishment leadership to “drain the swamp.” Naturally, populism rose to power, resulting in democratic crisis such as the breaking down of institutions. Populism discovers the problem of the absence of popular control, yet it fails to expose the root of neoliberalism. Ironically, the disorders created by populism further exacerbate undemocratization and act as distraction from uncovering neoliberalism.

Many perceive conflict and contestation to be a form of democratic crisis. However, as Mouffe argues, democratic politics is inherently conflictual, and the absence of competing voices does not signify consensus but rather the absence of popular representation (Mouffe 13). Democracy remains alive through the continuous competition among competing ideologies. Yet the contemporary dominance of neoliberalism has increasingly narrowed the boundaries of political imagination by encouraging societies to interpret political and social issues through the logic of the market, while other visions of polio-economic relationship are dismissed. As a result, democratic crisis becomes the lack of meaningful contestation, instead of its presence. If every political problem is assumed to have only one legitimate solution - the seemingly neutral “invisible hand” of the market - then democracy can no longer fulfill Rousseau’s ideal of treating each citizen as an “indivisible part of the whole” (Rousseau 60). Hence, the solution to the current democratic crisis is not to eliminate conflict, but to keep political competition alive by channeling it through democratic processes with contesting ideologies. Afterall, democracy should be an unending struggle, rather than a won battle.

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