

Democratic Capitalism at the Crossroads: Technological Change and the Future of Politics. By *Carles Boix*. Princeton: Princeton University Press, 2019. 272 pp. Notes, references, index. Hardcover, \$27.95. ISBN: 978-0-69119-098-3.

doi:10.1017/S0007680522000654

Reviewed by Kathryn Steen

Carles Boix, a political scientist at Princeton University, has written an intriguing overview of capitalism and democracy since the Industrial Revolution, asking and addressing significant questions about the impact of economic inequalities on democratic institutions and the consequent ability of democratic institutions to respond to the inequalities. At the core is a tension between democracy and capitalism: democracy values equality and majority rule while capitalism centers on exchanges driven by different (and often unequal) talents and assets. With a concise and useful synthesis of relevant scholarship in political science, economic history, and related fields, Boix both lays out the historical road that led to the present inequalities and provides a speculative look ahead toward several alternative futures.

Boix first outlines a historical overview of capitalism, dividing the last two centuries into three eras and linking each to its relationship to democracy. First is “Manchester capitalism” of the early nineteenth century and the Industrial Revolution, focusing primarily on the British experience but with reference to other industrial economies. Inequality soared as mechanization rolled across the economy, demanding more unskilled labor and less artisanal expertise. Among the working class, mortality rates increased and height decreased, and labor’s share of national income fell from 60 percent to 45 percent. Partly because of emigration, the second half of the century brought an increase in real wages, but about two-fifths of the working class still lived in poverty as the factory system increasingly dominated manufacturing.

During Manchester capitalism, the industrial leadership joined with landed elites to push back on democratic movements. Karl Marx agreed with Whig Thomas Macauley: they both believed universal suffrage was “incompatible” with capitalism. The inequalities of the era made elites fear the redistribution of wealth, income, and privilege that might follow should poor people gain the right to vote. By the late 1840s, “less than ten percent of adult men” in the industrial West could vote, “except in Switzerland, the United Kingdom, and the United States” (pp. 44–45).

During the second era, “Detroit capitalism,” however, the growth of wealth and income helped to lift a much broader range of people in industrial societies. New technologies meant less demand for unskilled

workers and more for semiskilled workers to create and maintain the machines. This era also brought widespread schooling and literacy that prepared people for the workforce—a public investment the industrial elites supported. Male suffrage expanded, particularly in the early twentieth century. Consequently, both democracy and capitalism had widespread support across all classes.

The latest phase of capitalism, “Silicon Valley capitalism,” explains Boix, evolves from the impact of extraordinary computational power. Silicon Valley capitalism has undermined the shared vision and thrust us back into sharp inequalities by introducing information and communication technologies that reward those who can use such technologies and punish those whose jobs have been supplanted. All that computing power had a dramatic impact on employment, as automation displaced jobs that could be routinized, from the assembly line to bookkeeping. Additionally, the computer technologies of Silicon Valley capitalism spurred wage growth for the few at the top while eliminating middle-skilled jobs, contributing to great wage polarization. Automation accounted for about 80 percent of job losses in the United States (60 percent in the European Union) and contributed to lower wages, particularly among semiskilled and unskilled jobs.

Globalization accompanied automation in Silicon Valley capitalism, affecting the international division of labor. During the Cold War years, globalization was mostly limited to the integration of advanced economies—with just 20 percent of global exports coming from developing countries. But a more expansive globalization emerged in recent decades through tremendous decreases in transportation and communications costs (think container shipping, air freight, and the Internet), declines in tariff rates in the developing world that paralleled earlier declines in the developed world, and the fall of the USSR and China’s move from Maoism. That put pressure on working-class jobs in the developed world.

One consequence of the Silicon Valley phase of capitalism is the reemergence of tension between democracy and capitalism; the inequalities of this era of capitalism have put intense pressure on democratic institutions to cope with the profound economic shifts. The declining manufacturing sectors meant a shrinking working class, and center left parties pivoted to embrace middle-class people in the service sector and consequent support for globalization. In general, mainstream parties made no dramatic policy shifts after the 1970s, despite the changing economic dynamics. The slower economic growth and an aging population (with pension and health expenses), along with global competition, made the mainstream parties reluctant to raise taxes to support bolder policy changes that might have mitigated more of the

stresses of the new economy. “Policy stability in the face of deep structural change” opened the door for more extreme political factions (p. 165). While political participation rates remained high through most of the postwar years across age, education, and income brackets, the political disengagement of more recent decades most dramatically affected lower-income, less educated, and younger people.

A big question going forward, then, is whether democratic institutions in the West can manage the challenges of capitalism. Boix, the social scientist, addresses the question by extrapolating from current patterns and behaviors to project several possible directions, again concisely synthesizing and analyzing current literature. On the optimistic side, the modern world has advantages over Manchester’s era: ten times the wealth, plus stable experienced democracies, which “should give us much more maneuvering room than any generations before us” (p. 4). Poverty drove riots and revolution in the Manchester era, but more than 90 percent of people in Europe and North America have income at or above those who were in the 95th percentile in the early nineteenth century. On the pessimistic side, one political consequence from the significant concentration of wealth is that 0.01 percent of American households contributed 40 percent of campaign contributions in 2012, and Boix emphasizes that faith in political institutions requires that the state not be captive to particular interests.

Looking ahead, Boix considers a range of policy suggestions. Countries should bolster electoral participation, especially, along with campaign finance reforms to encourage responsive democratic institutions. The ultimate impact of Silicon Valley capitalism will depend on policy responses to automation, which necessarily must be “piecemeal” and “reactive” (p. 204). Investment in human capital (education) to allow a greater percentage of people to benefit from the new economy is necessary but not likely to be sufficient, particularly if automation not only continues to eliminate jobs in the developed world but also significantly cuts labor participation in the developing world. Boix also assesses permutations on direct compensation (universal basic income) and the possibilities of distributing capital ownership more broadly. The key to navigating the course ahead depends on effective democratic decision-making.

This is a helpful, and excellent, synthesis of scholarly literature that addresses fundamental questions of our age.

Kathryn Steen is associate professor of history at Drexel University and author of The American Synthetic Organic Chemicals Industry: War and Politics, 1910–1930 (2014). Her work centers on the history of industry, technology, and government.

. . .