

REVIEW

THE STRUCTURAL CRISIS OF DEMOCRATIC CAPITALISM: INEQUALITY, GLOBAL MARKETS, AND DEMOCRATIC RECESSION

Review of *Understanding Political Economy: Capitalism, Democracy and Inequality* by Bob Hancké, Toon Van Overbeke and Dustin Voss (Edward Elgar Publishing, 2025)

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ABSTRACT: *Hancké, Van Overbeke, and Voss's Understanding Political Economy offers a timely diagnosis of the structural tensions defining the contemporary relationship between capitalism, democracy, and inequality. The book argues that these are not discrete crises but interconnected outcomes of a political-economic system in which market dynamics have overwhelmed democratic accountability, and inequality has become an intentional feature rather than an incidental byproduct. This critical review evaluates the book's central theses by placing them in direct and structured dialogue with key scholarly works. Using the empirical findings of Burkhart, this review provides statistical support for the book's claims about inequality. It then incorporates the frameworks of Milner and Gonzalez-Vicente & Carroll to unpack the specific mechanisms—namely, economic insecurity and global interdependence—through which market forces erode democratic processes. Finally, it draws on Barroso's analysis to contextualize the current democratic recession and point toward future challenges. The review concludes that while the book provides a powerful theoretical framework, its explanatory force is significantly deepened and strengthened when integrated with analyses that specify the mediating roles of globalization, technological change, and the structural limits of populist responses in the era of late capitalism.*

KEYWORDS: *Democratic Capitalism, Democratic Recession, Inequality, Neoliberalism, Political Economy*

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THE ENDURING CRISIS OF DEMOCRATIC CAPITALISM

The early twenty-first century is increasingly defined by the convergence of structural crises: widening socioeconomic inequality, democratic backsliding, and a rapidly intensifying climate emergency. These overlapping challenges have exposed the fragility of the political and economic arrangements that have governed global development since the late twentieth century. The worldwide resurgence of authoritarian populism, prolonged economic stagnation, and the growing instability of neoliberal capitalism have reignited foundational debates about the relationship between markets, states, and society. Within this context, a reassessment of the political economy is no longer a purely academic exercise but a pressing intellectual and political necessity. It is at this critical juncture that Hancké, Van Overbeke, and Voss's book makes a timely and significant contribution (Hancké et al., 2025). The book revisits core questions of political economy while demonstrating how contemporary tensions between capitalism and democracy are structurally produced rather than historically accidental.

The relationship between capitalism and democracy has entered a period of profound and sustained crisis. Across diverse political systems, longstanding democratic institutions are under strain from what Barroso describes as a global "democratic recession," characterized by declining trust in representative institutions, the normalization of executive power, and the rise of reactionary populism (Barroso, 2020). This turbulence cannot be dismissed as a cyclical fluctuation or an outcome of short-term policy failures. Instead, it reflects a deeper structural contradiction embedded in the architecture of contemporary global capitalism. As Gonzalez-Vicente and Carroll argue, the consolidation of global markets has been accompanied by elite-driven efforts to "dislocate politics from society" through processes of depoliticization, thereby weakening democratic accountability while generating unprecedented levels of inequality (Gonzalez-Vicente & Carroll, 2017:991). It is precisely this structural disjuncture between economic integration and democratic legitimacy that Hancké, Van Overbeke, and Voss seek to diagnose.

Rather than approaching political economy as a set of technical models abstracted from social reality, the authors offer a theoretically grounded and empirically informed analysis of capitalism as a historically embedded system of power relations. Their approach draws on a diverse range of intellectual traditions, including institutionalism, Marxist political economy, comparative capitalism, and democratic theory. In doing so, the book resists the reductionism that characterizes much mainstream economic analysis, which often treats markets as autonomous mechanisms governed by efficiency rather than as politically constituted institutions. Instead, the book presents capitalism

as being inseparable from the political and social structures that sustain it. This perspective aligns with a long tradition of critical scholarship, echoing Polanyi's insistence that markets are "embedded" in social relations (Polanyi, 2001), Rodrik's argument about the political trilemma of the global economy (Rodrik, 2011), and Streeck's analysis of capitalism's tendency to undermine the democratic foundations upon which it depends (Streeck, 2014).

The urgency of the book's intervention is underscored by contemporary reality. As Milner observes, "global capitalism seems to be placing democracy, especially liberal democracy, under considerable stress" (Milner, 2021:1097). Rising inequality, shrinking policy autonomy, and the growing influence of capital over political decision-making are not abstract theoretical concerns; they are material conditions that shape electoral behavior, state capacity, and public trust. The post-war compromise of "embedded liberalism," which sought to reconcile market openness with social protection, has increasingly proven incapable of buffering societies against the disruptive effects of globalization. The erosion of this compromise has created fertile ground for political backlash, reviving what Gonzalez-Vicente and Carroll describe as "the ghosts of nationalism and various reactionary forms of populism" (Gonzalez-Vicente & Carroll, 2017:991). These developments signal not a rejection of democracy per se but a crisis of democratic capitalism as a viable mode of governance.

The book structures its analysis around three interrelated arguments that together form a coherent diagnosis of the crisis. First, the book interrogates the inherently tense and often contradictory relationship between market dynamics and democratic accountability, demonstrating how the expansion of market logic into spheres traditionally governed by collective decision-making undermines political legitimacy (Hancké et al., 2025:85-102). Second, it examines the contemporary crisis of democratic capitalism through a critical discussion of austerity, technocratic governance, and the populist backlash that has emerged in response to declining social protection and political representation (Hancké et al., 2025:110-142). Third, and most provocatively, the authors argue that inequality should not be understood as an unintended side effect of capitalist development but as a structural and frequently intentional outcome, particularly within financialized forms of capitalism that prioritize capital accumulation over social redistribution (Hancké et al., 2025:150-163).

This review engages with the book not as a descriptive overview but as a critical dialogue with the author. Its objective is to assess the book's theoretical contributions while identifying areas where its explanatory framework can be refined and strengthened. To this end, the analysis places the authors' arguments in conversation with complementary works. Burkhart's quantitative findings are used to evaluate claims regarding the relationship between

capitalism, democracy, and inequality; Barroso's institutional analysis provides insight into the legal and constitutional dimensions of democratic decline; and Milner's work offers a detailed account of the mechanisms—economic insecurity and global interdependence—through which market forces erode democratic accountability (Milner, 2021). By synthesizing these perspectives, this review seeks to deepen our understanding of the structural crisis confronting democratic capitalism and clarify the analytical stakes of the book's contribution (Hancké et al., 2025).

THE POLITICAL ECONOMY OF CRISIS: CAPITALISM, DEMOCRACY, AND THE STRUCTURAL PRODUCTION OF INEQUALITY

The book is divided into three parts, each centered on a core theme: capitalism, democracy, and inequality. Together, these sections weave a compelling narrative about the crisis tendencies of capitalism and the complex role of democratic institutions in either alleviating or exacerbating these crises. The first part establishes the theoretical and historical foundations for understanding capitalism as an evolving set of institutional arrangements, rather than as a static system. The authors present an accessible yet sophisticated discussion of various types of capitalism, referencing Hall & Soskice (2001) to compare liberal market economies (LMEs) and coordinated market economies (CMEs) (Hancké et al., 2025:21-35). They also examine the evolution from post-war Keynesianism to neoliberalism and globalized financial capitalism, highlighting how institutional configurations adapt in response to economic shocks and political shifts (Hancké et al., 2025:45-62).

The authors reject economic determinism, asserting that capitalism's evolution is both historically contingent and politically constructed. They emphasize how national institutional legacies and the strategies of key actors influence diverse developmental outcomes, providing empirical examples from Germany, the UK, the US, and Sweden. Particularly noteworthy is the chapter on crisis and resilience (Hancké et al., 2025:67-80), which examines how the 2008 financial crisis revealed the vulnerabilities of deregulated financial markets and led to differing state responses that either exacerbated or mitigated inequality. The second section examines the complex and often strained relationship between capitalism and democracy. Inspired by political theorists like Macpherson and Fraser, the authors explore the contradictions between market dynamics and democratic accountability (Hancké et al., 2025:85-102). The central thesis of the book is that the legitimacy of democracy diminishes when market mechanisms

take precedence over areas traditionally governed by collective decision-making, including education, housing, and healthcare.

This section examines the crisis of democratic capitalism, revisiting Streeck's (2014) argument that advanced capitalist democracies are now trapped in a perpetual state of fiscal consolidation, with governments increasingly accountable to creditors rather than citizens. The authors expand on this thesis by analyzing how technocratic governance, austerity politics, and populist backlash reveal deeper structural tensions (Hancké et al., 2025:110-125). Their critique of the European Union's democratic deficit is particularly compelling, framed as a symptom of a broader political economy issue where economic integration has outstripped democratic legitimacy (Hancké et al., 2025:130-142). The final section explores inequality not merely as an unintended consequence of economic growth but as a structural and often intentional result of capitalist development. Drawing on the analysis by Piketty & Goldhammer (2014) regarding capital accumulation, the authors highlight that income and wealth inequality are ingrained in the very structure of market institutions, taxation systems, and labor relations (Hancké et al., 2025:150-163). They trace the transition from mid-20th-century class compromise to financialized capitalism, in which capital income has significantly outpaced labor income, resulting in new forms of social stratification and intergenerational immobility.

The authors emphasize that inequality is not just an economic issue and explore its intersectional dimensions, demonstrating how race, gender, and citizenship status influence access to economic and political power. This perspective links domestic inequality to global disparities, illustrating how global value chains exploit labor in the Global South while concentrating wealth in the Global North. The book concludes by discussing policy alternatives such as universal basic income, labor market regulation, and green investment strategies. However, the authors acknowledge that these solutions cannot succeed without addressing the political forces that oppose redistribution.

INEQUALITY AS A STRUCTURAL FEATURE OF CAPITALISM

A central and compelling thesis of Hancké et al.'s book is that inequality is not an unfortunate side effect of capitalism but an intentional structural outcome. This section first presents the book's argument, drawing on foundational thinkers like Thomas Piketty, and then uses empirical data and institutional theory from supplementary sources to both support and deepen this critical claim. The book posits that income and wealth inequality are deeply ingrained

in the architecture of modern capitalism (Hancké et al., 2025:150-163). This is not a system failure but a system feature embedded within market institutions, tax policies, and labor relations. The authors trace the shift from a mid-20th-century class compromise to an era of financialized capitalism, where income derived from capital has systemically outpaced income from labor, creating new and entrenched forms of social stratification.

This theoretical argument is supported by Burkhart's work. In a cross-national quantitative study, Burkhart confirms a clear and statistically significant linear relationship: "more capitalism, more inequality" (Burkhart, 2007:1). However, his study reveals a central paradox of democratic capitalism, as his data also indicate a weak but positive linear impact of capitalism on democracy. This tension presents a critical puzzle that Hancké et al.'s book helps to address: if capitalism fosters both democracy (procedurally) and inequality (substantively), how does the latter ultimately corrode the former? The underlying economic logic for this structural inequality is illuminated by Barroso's synthesis of Thomas Piketty's work. Piketty identifies a core contradiction within capitalism: the rate of return on capital (r) tends to exceed the rate of economic growth (g). As Barroso explains, this dynamic means that "the wealth accumulated in the past grows faster than productivity and wages," leading wealth to concentrate and transforming entrepreneurs into a class of rentiers (Barroso, 2020:360). This provides a mechanism for the structural inequality that Hancké et al. diagnose.

Diagnosing the economic structure of inequality, however, is only half of the task. The crucial next step is to understand its political consequences, a linkage that Milner's framework clarifies. The vast economic inequality described in the book translates directly into a crisis for democracy's foundational principle: political equality. As Milner pointedly argues, "access of money to politics is the scourge of democracy" (Milner, 2021:1103). When immense wealth grants a small elite disproportionate influence over the political process, policies begin to diverge from the preferences of the median voter. This erodes democratic legitimacy, as the government is no longer seen as responsive to the citizenry but to a narrow, moneyed elite. While the book effectively diagnoses the structural nature of inequality, its analysis of how market dynamics directly erode democratic processes and legitimacy warrants deeper examination.

MARKET DYNAMICS VERSUS DEMOCRATIC ACCOUNTABILITY

This section tackles the book's central claim regarding the inherent contradiction between market logic and democratic governance. Following

an outline of the book's core thesis, this analysis uses the work of Milner and Gonzalez-Vicente and Carroll to unpack the specific mechanisms—namely, economic insecurity and political interdependence—through which this conflict manifests in the age of global capitalism (Gonzalez-Vicente & Carroll, 2017; Milner, 2021). The book argues that democracy's legitimacy fundamentally diminishes when market mechanisms "take precedence over areas traditionally governed by collective decision-making, including education, housing, and healthcare (Hancké et al., 2025:85-102)." This colonization of the public sphere by market logic severs the connection between citizens and the state, rendering democratic accountability hollow.

One of the primary mechanisms driving democratic erosion is pervasive economic insecurity. Milner invokes Joseph Schumpeter's concept of "creative destruction" to explain that while capitalism is inherently dynamic, global capitalism accelerates this process to a destabilizing degree (Milner, 2021:1103). The rise of offshoring, deindustrialization, and precarious employment in the "gig economy" generates profound insecurity. This dynamic is exacerbated by the decline of what Milner refers to as "embedded liberalism" (Milner, 2021:1104-1105)—the post-war compromise where the welfare state compensated citizens for the dislocations caused by market forces. The failure of the state to provide social protection in the face of intense globalization-induced job losses has fueled a political backlash. Research synthesized by Milner shows that support for populist and extreme-right parties is strongest in regions that are the "hardest hit by trade shocks" (Milner, 2021:1105).

The second key mechanism is the loss of national policy autonomy, driven by global interdependence. As Milner explains, globalization constrains a government's ability to direct its own economy, thereby weakening democratic accountability (Milner, 2021:1105). Voters can no longer effectively hold their leaders responsible for economic outcomes when these outcomes are shaped by transnational forces beyond the control of any single government. This leads to a phenomenon of "policy convergence," where mainstream parties of the left and right adopt similar pro-market stances because their policy options have been narrowed by global pressures. This creates a political vacuum that "anti-system" parties quickly exploit. Gonzalez-Vicente & Carroll powerfully characterize this process as a "delinking of the working classes from their parties" (Gonzalez-Vicente & Carroll, 2017:997), where political legitimacy is replaced with "the economic disciplining of increasingly vulnerable populations." This erosion of national-level democratic accountability, driven by insecurity and interdependence, has culminated in the acute crisis of democratic capitalism that the book identifies.

THE CONTEMPORARY CRISIS: AUSTERITY, TECHNOCRACY, AND POPULIST BACKLASH

This final thematic section examines the book's diagnosis of the current "crisis of democratic capitalism." It will synthesize the book's arguments on austerity and technocratic governance before using the rich analysis from Gonzalez-Vicente and Carroll to critique and expand upon the resulting populist backlash, framing it not as a political aberration but as a predictable, structural response to the dislocations of "late capitalism." The book engages with Streeck's argument that governments have become more accountable to their creditors than to their citizens (Streeck, 2025:110-142). It critiques the rise of technocratic governance, the politics of austerity, and the democratic deficit within institutions like the European Union as symptoms of a system where deep economic integration has "outstripped democratic legitimacy."

The framework offered by Gonzalez-Vicente and Carroll provides a crucial lens through which to understand the populist backlash described in this book. They argue that the rise of populism should not be seen as an anomaly, but as a predictable response to the "depoliticisation" and elite consensus that defined the era of neoliberalism (Gonzalez-Vicente & Carroll, 2017:992). For decades, key economic decisions have been framed as being "beyond politics," subject only to market logic and technocratic management. Populist movements, from this perspective, represent a fierce struggle to "take policy back." They seek to "repossess the symbols of twentieth-century national development—the national economy, the charismatic leader, the border—" in direct response to what they term the "great dissociation of global markets from national societies" (Gonzalez-Vicente & Carroll, 2017:1000).

While populism effectively challenges the "post-political" elite consensus, Gonzalez-Vicente and Carroll's analysis reveals its profound structural limitations. The central problem is that populist solutions are articulated within the "anachronistic confines of the nation-state," a political container that is ill-equipped to re-embed markets that are now fundamentally transnational in nature (Gonzalez-Vicente & Carroll, 2017:991). The core disjuncture is that while populist anger is channeled through national political institutions, the economic forces driving that anger—transnational supply chains, global financial circuits, and capital mobility—operate beyond the effective regulatory reach of any single nation-state. This structural disconnect explains a common paradox: populist movements may rail against the global economic order and its elites, but they often end up perpetuating the core interests of capital because they cannot fundamentally alter transnational systems of production and finance. Their solutions tackle the economic crisis only superficially, often

displacing citizen anger onto cultural or nationalist targets while leaving the underlying economic structures unaddressed. By contextualizing the populist backlash as a structural, albeit limited, response to globalized capitalism, we can better appreciate both the strengths of the book's diagnosis and the profound challenges that lie ahead for democratic governance.

CONCLUSION AND IMPLICATIONS FOR FUTURE RESEARCH

Understanding Political Economy by Hancké, Van Overbeke, and Voss presents a compelling and analytically rigorous framework for interpreting the interconnected crises that characterize the modern political economy. Its most notable contribution is its ability to conceptualize capitalism, democracy, and inequality not as separate or sequential issues but as structurally intertwined aspects of a single strained system. This review has confirmed the strength of the diagnosis while demonstrating that its explanatory reach is significantly enhanced when placed in dialogue with complementary bodies of scholarship. The empirical findings of Burkhart, the institutional analysis of Barroso, and the theoretical frameworks developed by Milner and Gonzalez-Vicente & Carroll illuminate the mechanisms through which economic insecurity, global interdependence, and the dynamics of late capitalism mediate the current democratic recession. As a contribution to the field, this book succeeds on multiple levels. It provides a clear and coherent theoretical architecture that enables students and scholars to navigate complex and often fragmented literature.

By synthesizing insights from historical materialism, institutional theory, comparative political economy, and democratic critique, the authors produce an account that is analytically robust and pedagogically effective. This synthesis allows the book to transcend disciplinary boundaries, making it relevant to political science, economics, sociology, and public policy while avoiding the oversimplification that often characterizes introductory texts. The principal strength of this book lies in its structural clarity and thematic coherence. Its comparative orientation and sustained engagement with inequality, democratic erosion, and institutional resilience offer a solid analytical template for examining contemporary political and economic turbulence in the region. As such, the book is well-suited for advanced undergraduate instruction as well as graduate-level debate, providing readers with both conceptual tools and a critical vocabulary for interrogating the political foundations of market society.

Simultaneously, the analysis uncovers several crucial directions for future research. A significant limitation is the relatively sparse engagement with postcolonial political and environmental economies. As climate change becomes more severe and global disparities increasingly mirror colonial histories and unequal power dynamics, these perspectives are essential for understanding the changing landscape of capitalism. Incorporating these aspects would not only enhance the book's global significance but also bolster its ability to tackle the worldwide scale of current crises in the Global South.

An even more urgent area of exploration is the political and economic impact of technological change. As noted by both Barroso and Milner, automation, artificial intelligence, and the growth of digital infrastructure are profoundly altering production, the labor market, and political power. The rise of platform capitalism and the establishment of the "data economy" are creating new forms of inequality and power concentration that challenge democratic institutions originally designed for the industrial age. Therefore, future research must investigate how digital capitalism reshapes the relationship between markets and democratic governance, especially concerning surveillance, algorithmic decision-making, and the erosion of public accountability.

By providing a robust conceptual framework, this book opens up opportunities for future research. It prepares scholars to examine how climate change, technological advancements, and shifting geopolitical dynamics are redefining the political economy landscape in the twenty-first century. For students and early career researchers, the book will serve not only as an analytical resource but also as an intellectual challenge—a call to engage with political economy as a normative and critical endeavor that remains vital to understanding and potentially transforming the future of democratic capitalism.

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