

# PREFACE

**T**he vision of a liberal democratic world order that emerged after the Cold War, which led to a brief era of major US global dominance, is coming to an end. The fall of the Berlin Wall left a void, in which the United States became the dominant global power. This “unipolar” world was supposed to be global in scale: oriented to capitalistic markets allocating the world’s “scarce resources,” commonly referred to as “land, labor, and capital” in Economics 101 courses. At this time, democratic regimes were on the rise, and the list of countries pursuing democratic policies began to grow rapidly.

Francis Fukuyama described this phenomenon in his 1992 book *The End of History and the Last Man*. However, this idea of a globalized world centered upon a mix of capitalistic principles and democratic ideals never truly materialized. While that seismic shift in history is behind us, its ripple effects continue to shape the challenges we face today. Democracy and civilization now stand at a crossroads, confronted by complex and daunting obstacles.

What was once a relatively stable geopolitical landscape has been replaced by a multi-polar world of competing economic and political powers. Today, democracy is under pressure from both internal and external forces, and this book focuses on these twin challenges. What caused these challenges, and what consequences will follow?

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Externally, *Grayzone* warfare, defined as the use of hostile measures just short of war itself, pits alliances of autocratic and democratic nations against each other, reshaping global economic and political norms. The erosion of globalization and the rise of protectionism, two hallmarks of a fragmenting world, further strain international cooperation. At the same time, China's economic growth, once a key driver of global prosperity, faces significant challenges. Its heavy reliance on state-driven investment and structural inefficiencies may lead to a prolonged period of stagnation, disrupting global economic stability.

Internally, the rise of populism feeds on economic discontent, amplifying divisions within democratic societies. Populist policies often prioritize short-term political gains over sustainable economic reforms, undermining institutions in the process. Adding to these pressures is the expansion of the "Big State," as governments take on an outsized role in managing economies, risking inefficiencies from arbitrary capital allocation processes and unsustainable fiscal policies. These internal dynamics weaken the resilience of democracies and hinder their ability to adapt to global challenges.

Some may view this moment in history as part of an inevitable cycle, where democracy, like past systems such as the Roman Empire, feudal monarchies, or colonial empires, will face decline and be replaced by alternative forms of governance. This perspective suggests that the current challenges we face mark the beginning of the end for democracy.

However, this book asserts otherwise; the values and institutions of democracy can endure, but only if we confront democracy's vulnerabilities directly. To reverse democratic decline, it is essential to identify its root causes and develop cohesive strategies that address the structural issues undermining both its durability and stability.

A key to strengthening democracy lies in addressing wealth inequality by ensuring that economic gains are distributed more equitably. True wealth goes beyond simple measures like Gross Domestic Product (GDP)

or national income—it represents a lasting “stock” of value rather than just a temporary “flow.” Achieving equitable distribution requires creating systems that reward effort and innovation while avoiding over-reliance on entitlement, thus striking a balance that fosters both fairness and motivation. The tools to address democracy’s challenges are already within reach, offering a reason for hope. However, significant hurdles remain, as we as a society often lack the willingness to act upon these solutions. While the potential for a stronger, more equitable future exists, achieving it will require overcoming the deep political and societal divisions that stand in the way.

