



Defending Liberal Democracy and Liberal Peace in the Time of Rising Populism and Fascism

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Analysis Paper 3

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Related Works

Wolfgang Kasper, *Does Western Civilisation Have a Future?*, Policy Paper 17, Sydney, Centre for Independent Studies, February 2019

Kerry Brown, Peter Cai and Benjamin Herscovitch, *The Rise of China's Imperial President*, CIS event, Sydney, Centre for Independent Studies, 13 April 2015

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Executive Summary

Liberal democracy has been ascendant since the end of the Second World War as the preferred form of government wherever people have been free to choose. Liberal democracy is not majoritarian rule. It is a system of democracy where the powers of elected rulers are limited by constitutional checks that promote the rule of law and secure the fundamental rights and liberties of individuals. Without these checks, majority government inevitably becomes minority rule.

The advance of liberal democracy caused rapid decolonisation and the progressive liberalisation of global trade. Liberal democratic governance and free trade ushered in a new kind of peace prophesied by Enlightenment thinkers David Hume, Jeremy Bentham, Adam Smith and Immanuel Kant and later championed by John Stuart Mill, Richard Cobden, John Bright and other liberals. This liberal peace is based not on military power and strategic machinations of rulers, but on voluntary exchange of goods and services across national borders by individuals and firms. The era of liberal peace has seen the emancipation of billions of persons from absolute poverty around the world.

Liberal democracy and liberal peace are under threat from within and without. This is not surprising, as liberalism is an historical oddity in a world where authoritarian rule has been more the norm. Power unchecked gravitates from the many to the few. Hence the liberal maxim: 'Eternal vigilance is the price of liberty'. Resurgent fascism and mercantilism in China, Russia and elsewhere and nativist-authoritarian populism pose the most immediate threats to liberal democracy and liberal peace.

Fascist regimes are mercantilist for they fear the freedoms that free trade entails. China's mercantilist policy combines (1) absolutism, (2) protectionism and (3) expansionism. Power is unified in the person of the Core Leader Xi Jinping in a state intolerant of independent thought and action. China abandoned the Marxist economic model for a controlled market economy favouring state corporations and chosen private entities. China limits foreign competition by regulations and fire walls and stands accused of IP theft and currency manipulation. Chinese expansionism aims to subjugate liberal democratic

Taiwan, extinguish the liberties of Hong Kong, control the South China Sea and acquire strategic assets worldwide by actions like the Belt and Road Initiative (BRI). The Russian autocracy has made common cause with fascist regimes with its own expansionist strategies in Europe and subversion of the institutions of liberal democracy.

The immediate internal threat to liberal democracy is posed by authoritarian populists whose cultural essentialism denies the universality of liberal values. They draw support from Samuel Huntington's theory that posits global conflicts are not ideological but civilisational. This theory defies fact. As these words are written, millions of Chinese people are on the streets of Hong Kong resisting the latest assault on their freedom. The lesson of history is that people who know freedom, cherish freedom — whether they are inheritors of Judeo-Christian, Confucian, Buddhist, Hindu, Muslim, Slavic or other cultures.

Liberal democracy, however, is not self-sustaining. Liberal institutions are susceptible to capture and corruption and need restoration by each generation. While populists seek to make liberal democracy less liberal, liberals have allowed it to become less democratic. Liberal democracies have ceded legislative and adjudicative powers to the executive branch where officials make law at the point of its enforcement and make policy-driven judgments in disregard of established rights. New forms of undemocratic social control flourish as political correctness takes over campuses, state agencies, sports governing bodies and corporations eager to tow the correct line. The perception of a drift of power to the big end of town is not entirely fanciful. The breakdown of the rule of law at some national borders causes justifiable alarm. Hyper-partisanship erodes the civility of politics and the culture of playing by the rules that are essential to the liberal democratic way of life.

The defence of liberal democracy needs the concerted action by all nations of the West and East committed to democracy, the rule of law and liberty. Equally, nations so committed must attend to the urgent task of re-invigorating the institutions of liberal democracy to retain public faith in this form of government. This is the burden of all free people in every generation.

Introduction

Liberal democracy has been ascendant since the Second World War, and has been remarkably resilient in the face of internal and external threats.² This form of government has been instrumental in the economic emancipation of billions of people around the world. Liberal democracy, in combination with free trade, brought about a new form of peace: a liberal peace based less on the convenience and power plays of rulers and more on the shared interests of individual citizens across national borders. Liberal democracy both fosters liberal peace and draws strength from it. When one weakens, so does the other.

The liberal theory of peace — first proposed by Enlightenment thinkers David Hume, Jeremy Bentham and Immanuel Kant and championed by John Stuart Mill, Richard Cobden and John Bright in the nineteenth century — maintains that republican liberty within nations and free trade among nations provide the surest foundations of peace. Humanity has not been able to — and may never — achieve these conditions on a global scale. Nonetheless, in the period since the end of World War II, the theory has been tested and found credible in parts of the world where liberal democratic systems and cross border trade have flourished. The fall of the Berlin Wall and communism in Europe heralded a period of spreading democracy and trade liberalisation across the world that created an expanding sphere of peace among nations that embraced these values. However, the two pillars of this peace, liberal democracy and free trade, are facing mounting threats. Authoritarian tendencies within new and established democracies — fuelled in part by nativist populism and the rise of fascism in some former communist states — pose the most immediate but not the only challenges. Since the fate of the liberal peace is inextricably tied to the health of liberal democracy, this essay is as much about the future of liberal democracy as it is about the liberal peace.

Theory of liberal peace

Liberal peace is not the same thing as the absence of war or armed conflict, which can result from conquest and subjugation or fear of mutually assured destruction. It is unlike the *Pax Romana* (27 BC to AD 180) or the nineteenth century *Pax Britannica* that were maintained by military power. It is not the same as strategic peace between rulers that serve their present convenience. Liberal peace is sustained by the choices of people living in freedom.

Peace that results from the mutual advantage of millions of individuals and firms who trade across borders is stable. Trade allows countless numbers of total strangers living and working in different parts of the world to co-operate in producing wealth and reducing poverty. I am wearing a cotton shirt that is

the product of collaboration on a global scale among strangers — the cotton grower, the textile maker, the engineers who built the plant, the dress designer, the humble garment maker on a sewing machine, the wholesaler, the shipper, the retailer and many others in the supply, production and distribution process.³ The network of co-operation is endless. Each individual acted voluntarily for their personal advantage. Their profit seeking reduced the cost of my shirt! This kind of co-operation and mutual dependence is the foundation of liberal peace.

Republican liberty

Immanuel Kant in his essay *Perpetual Peace* (1795) said that the “first definitive article for perpetual peace” is that “The Civil Constitution of Every State Should Be Republican.”⁴ Republican government is one whose power is limited by checks and balances designed to suppress private vice and advance the public good (*res publica*). It is also called liberal democracy today. Its antithesis is despotism. Despots sacrifice the public interest when it clashes with their own. Kant’s republicanism is grounded in the categorical moral imperative that a person should act only according to a rule that can be universalised. Thus, no individual can “legally bind or oblige another to anything, without at the same time submitting himself to the law which ensures that he in his turn, be bound and obliged in like manner by this other.”⁵ This means that the ruler must not commit the nation to war without regard to the calamitous consequences for the public. In a despotic state, “the ruler is not a citizen, but the owner of the state, and does not lose a whit by the war, while he goes on enjoying the delights of his table or sport, or of his pleasure palaces and gala days.”⁶ He will impose crushing burdens on the subjects, which he does not have to bear.

But why republican, rather than simply democratic? Aristotle argued in his book *Politics* that democracy is not the best form of government. He meant by democracy the system in some city states of classical Hellas, where every decision of the state was taken by a majority of citizens. This kind of democracy, he said, inevitably became tyranny. Government according to law gives way to the momentary wishes of the majority (usually directed by demagogues) on each issue, whether of public or private concern.⁷ The same kind of reasoning led James Madison to devote the *Federalist Paper No 10* to the need to rescue popular government from the “control and violence of faction.”⁸ He wrote that:

Complaints are everywhere heard from our most considerate and virtuous citizens, equally the friends of public and private faith, and of public and personal liberty, that our governments are

too unstable, that the public good is disregarded in the conflicts of rival parties, and that measures are too often decided, not according to the rules of justice and the rights of the minor party, but by the superior force of an interested and overbearing majority.⁹

This has a profound implication for peace among nations. Unrestrained majority rule enables opportunistic rulers to gain more power by exploiting the nationalist sentiments of a majority. Adolf Hitler and Benito Mussolini were elected under democratic systems with ineffective checks and balances, and rode to absolute power on the back of nationalism. The solution to this problem, Madison argued, was the dispersal of power both horizontally among the legislative, executive and judicial branches and geographically between the central and regional units. The theory of mixed government implemented in the Athenian Constitution and imitated by the Roman Republic, the medieval Italian city states like Florence and Venice, and by the Ancient Constitution of England were designed to prevent tyranny by distributing legislative power between popular and aristocratic assemblies.

Free trade

The second limb of the liberal theory of peace is free trade among individuals and firms across national borders. In the early seventeenth century, when absolutism and mercantilism were the order of the day, the French thinker Eméric Crucé foresaw that the economic emancipation of populations and the establishment of free trade among nations will reduce the incidence of war.¹⁰

Mercantilism was founded on the theory that the accumulation of gold and silver makes a nation wealthier. The policy was closely linked to colonialism — the conquest and monopoly of the resources of distant lands directly or through the agency of chartered companies like the British East India Company and the Dutch *Vereenigde Oost-Indische Compagnie* (VOC). The Spanish government sent conquistadors to harvest precious metals from American lands and the English government sponsored privateers to plunder the treasures on their way to Spain. Mercantilism and conflict were inseparable.

In 1742, David Hume published two remarkable essays in which he assailed the mercantile orthodoxy of the time. In the first essay, 'On the Balance of Trade', Hume argued that national wealth is increased not by hoarding gold and silver but by art and industry.

But there still prevails, even in nations well acquainted with commerce, a strong jealousy with regard to the balance of trade, and a fear, that all their gold and silver may be leaving them. This seems to me, almost in every case,

a groundless apprehension; and I should as soon dread, that all our springs and rivers should be exhausted, as that money should abandon a kingdom where there are people and industry. Let us carefully preserve these latter advantages; and we need never be apprehensive of losing the former.¹¹

Hume moreover demonstrated the futility of seeking wealth by printing more money.¹² Milton Friedman said of Hume's monetary theory: "We have advanced beyond Hume in two respects only: first, we now have a more secure grasp on the quantitative magnitudes involved: second, we have gone one derivative beyond Hume."¹³

In 'The Jealousy of Trade', Hume addressed the fear of the economic prosperity of neighbours, frequently the cause of wars in his time.

It is obvious, that the domestic industry of a people cannot be hurt by the greatest prosperity of their neighbours; and as this branch of commerce is undoubtedly the most important in any extensive kingdom, we are so far removed from all reason of jealousy. But I go farther, and observe, that where an open communication is preserved among nations, it is impossible but the domestic industry of everyone must receive an increase from the improvements of the others.¹⁴

The free trade theory was well understood in the nineteenth century and espoused by the French physiocrats, the British liberals John Stuart Mill, Richard Cobden and John Bright and the American William Graham Sumner. Mill wrote:

It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which act in natural opposition to it. And it may be said without exaggerations that the great extent and rapid increase of international trade, in being the principal guarantee of the peace of the world, is the great permanent security for uninterrupted progress of the ideas the institutions and the character of the human race.¹⁵

Like all theories, the liberal theory of peace is true only for a given set of conditions. Commitment to domestic individual freedom and transnational free trade are the primary conditions for peace. Hence liberal peace is most likely to prevail among liberal states. Liberal states are not conflict-free but, as Michael Doyle observes, they usually resolve differences non-violently.

The apparent absence of war between liberal states, whether adjacent or not, for almost two hundred years may therefore have significance. Similar claims cannot be made for feudal, "fascist," communist, authoritarian or totalitarian forms of rule; nor for pluralistic, or merely

similar societies. More significant perhaps, is that when states are forced to decide on which side of an impending world war they will fight, liberal states wind up all on the same side, despite the complexity of the paths that take them there. These characteristics do not prove that the peace among liberals is statistically significant, nor that liberalism is the peace's sole valid explanation. But they do suggest that we consider the possibility that liberals have indeed

established a separate peace – but only among themselves.¹⁶

Not all wars initiated by liberal states have been defensive or even justified. Democratic Britain fought many colonial wars against nations that they conquered and other colonial powers. While liberal states seem able to settle their differences with other liberal states peacefully, they do not or cannot always, do so with non-liberal states.

Two Flawed Theories about the State of the World

The collapse of Communist Party rule in Eastern Europe and the Soviet Union generated intense speculation about the unfolding shape of the world. Among the most widely discussed were two papers by the American scholars Francis Fukuyama and Samuel Huntington offering opposing visions of the future. The two theses have been heavily criticised by commentators, but they provided a provocative set of ideas to enliven the debate about the future of liberal democracy.

The liberal counter revolutions in Eastern Europe and the fall of the Communist Party in the Soviet Union led some Western scholars to declare victory for liberal democracy. The most optimistic assessment was by Fukuyama. In his essay 'The End of History?', he proposed that the defeat of totalitarian communism marked "the end point of mankind's ideological evolution and the universalisation of Western liberal democracy as the final form of human government."¹⁷ Huntington, in his paper 'The Clash of Civilizations', argued that the world was not at the end of history but is entering a new phase of conflict the source of which is not primarily ideological or economic but cultural. He wrote:

Nation states will remain the most powerful actors in world affairs, but the principal conflicts of global politics will occur between nations and groups of different civilizations. The clash of civilizations will dominate global politics. The fault lines between civilizations will be the battle lines of the future.¹⁸

These are two broad brush theories that are criticisable on many grounds, including hard evidence. However, some criticisms of Fukuyama's thesis read like obituaries of liberalism. If liberalism is dead liberal peace is also dead. The declarations of the demise of liberalism, I contend, are as premature as Fukuyama's proclamation was of its final victory.

Liberalism is not dead, and history has not ended

Many obituaries have been written of the demise of liberal democracy. US Senator and diplomat Daniel Patrick Moynihan wrote that liberal democracy is "a holdover form of government . . . which has simply no relevance to the future."¹⁹ Philosopher Alasdair MacIntyre predicted the failure of liberalism because of its rejection of tradition on which rival claims to truth are based.²⁰ John Gray wrote that "the Enlightenment project" is in a state of "world-historical collapse."²¹ In 2016 *The New York Times* columnist Roger Cohen declared that "Liberalism is dead. Or at least it is on the ropes."²²

The liberalism that is thought to be dead or dying is a spectrum of political theories and action programs. At one end of this spectrum is classical liberalism that seeks to limit the role of government as far as possible to the defence of life, liberty and property. Classical liberals generally favour Mill's harm principle "that the only purpose for which power can be rightfully exercised over any member of a civilised community, against his will, is to prevent harm to others."²³ At the other end is welfare state liberalism that assigns to the state a wider responsibility to secure not only the basic legal rights and freedoms of citizens but also the material conditions for their enjoyment. These two models are ideal types that have not been practically achieved in any modern state. Some sort of compromise between these two views prevails in the electoral politics of present-day liberal democracies. However, there is general consensus across the spectrum on the institutions of liberal society. These include, non-exhaustively, representative government based on free and fair elections, toleration of peaceful dissent, the rejection of status-based power, the supremacy of the law over state and citizens, basic rights and liberties of all persons, the principle of equality before the law, and the independence of the judiciary.

Liberalism in this sense is not dead or dying though it is perpetually endangered. The International Institute for Democracy and Electoral Assistance (International IDEA) in its periodic surveys of the health of democracy in the world evaluates countries under the following criteria: (1) Representative Government, (2) Fundamental Rights, (3) Checks on Government, (4) Impartial Administration and (5) Participatory Engagement. Its 2017 report, *The Global State of Democracy*, based on extensive data analysis concludes:

There is much room for improvement in virtually all dimensions of democracy. However, the situation is better than suggested by increasingly pessimistic views regarding the prevalence and resilience of contemporary democracy. The trends since 1975 suggest that most aspects of democracy have improved, and that most democracies have been resilient over time. Moreover, current democratic regressions are generally short lived and followed by recovery when internal democracy-friendly forces cooperate and resist leaders with authoritarian tendencies.²⁴

These findings are supported by the data collected by evolutionary psychologist and social philosopher Steven Pinker in his book *Enlightenment Now*.²⁵ Pinker relies on the annual time series published by the Polity Project that assigns scores for every country in every year in relation to the citizen's ability to express political preferences, constraints on power and the guarantee of civil liberties. The study shows three waves of democratisation since the beginning of the nineteenth century with the third and current wave continuing despite setbacks.²⁶ Nevertheless new threats to liberal democracy have emerged and their causes need to be understood and addressed by those who care about its survival. The peaceful democratic change of government in Malaysia at the General Election of 9 May 2018 — the first since the nation's independence in 1957 — is heartening. So are the election of liberals in the Maldives and the civil society-led successful resistance to the Sri Lankan president's unlawful attempt to dismiss the elected government and parliament. There are other bright spots for democracy but also red lights flashing elsewhere.

History has not ended and is not about to end. It is a continual contest of ideas and programs that dates back to the beginning of society.

The true clash is between liberal democracy and fascist ambition

Samuel Huntington argued that since the Cold War ended it is far more meaningful to see the nature of international conflict as a clash of civilisations rather than ideological blocs.²⁷

Civilization identity will be increasingly important in the future, and the world will be shaped in large measure by the interactions among seven or eight major civilizations. These include Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American and possibly African civilization. The most important conflicts of the future will occur along the cultural fault lines separating these civilizations from one another.

This is a grossly oversimplified thesis. There are obvious cultural, linguistic and spiritual affinities among peoples that Huntington identifies as civilisations. Civilisational differences can be a cause of conflict especially if one civilisation seeks hegemony over another. There are two main reasons why this thesis is misleading. The first is the overlap of cultures and civilisations. The second is the adaptive evolutionary character of societies.

First, as John Rawls pointed out, in many communities there is overlapping consensus across cultural boundaries with respect to justice by which he means the fundamental principles of the political system.²⁸ We can see this happening among nations. Japan, South Korea, Singapore and Taiwan, despite their Confucian heritage, are electoral democracies with free market economies that are strongly integrated with the West. India, the spiritual and cultural home of the Hindu civilisation, is the largest functioning democracy in the world with an economy locked into the capitalist system and whose diaspora plays an increasingly important role in the commercial, industrial, scientific and service sectors of Western economies. There is no monolithic Islamic civilisation that is clashing with the liberal democratic West, although the rulers of many Islamic nations reject, out of self-interest, Western ideas of democracy and human rights, and radical Islamist groups wage terror campaigns against traditional Muslim societies and non-Muslim populations. Liberal democracy, despite setbacks, has been growing in Latin America²⁹ where people have strong religious, linguistic and cultural affinities to Europe and North America. Many of the Slavic nations of Eastern Europe are members of the European Union who have subscribed to the constitutional norms, individual human rights and the market economy of that regional community, though there are troubling trends in the region.

Second, cultures are not static but complex evolving systems. They borrow ideas and institutions and imitate good (and sometimes bad) practices. They also change through endogenous pressures. In an ideal world of zero transaction costs we might expect societies to converge to the model of economic and social organisation that is most efficient in satisfying the diverse aspirations of individuals.³⁰ If so, we may expect the causes of conflict to diminish over time. The real world unfortunately is a world of heavy,

though diminishing, transaction costs. Some of these are information, communication and transportation costs.³¹ Some flow from the constraints of tradition, often enforced by dominant sections of society defined by criteria such as caste, gender or faith. But the greatest costs are those imposed by rulers in their own private interests or in pursuit of misguided notions of the public good.

These costs are heaviest and most visible in countries ruled by dictators. Dictatorships routinely censor information, violate basic rights and freedoms including free expression, association and movement, discriminate against selected persons and groups, jail or eliminate opponents, disallow political dissent, prevent political reform, and perpetuate their power at the expense of the public good. The cost of achieving change under these conditions is prohibitive. Dictatorial actions of rulers are invariably taken in the name of patriotism, national security, culture, indigenous values, public interest and on supposed popular choice. Yet rarely, if ever, does a dictatorship

consult the public on their policies through free and fair elections or referenda.

Huntington's thesis was always empirically suspect. Ronald Inglehart and Pippa Norris point to the World Values Surveys conducted in 1995-96 and 2000-02 to refute Huntington's claim of a clash between Western and Islamic civilisations. They say

These results represent a dramatic change from the 1930s and 1940s, when fascist regimes won overwhelming mass approval in many societies; and for many decades, Communist regimes had widespread support. But in the last decade, democracy became virtually the only political model with global appeal, no matter what the culture. With the exception of Pakistan, most of the Muslim countries surveyed think highly of democracy: In Albania, Egypt, Bangladesh, Azerbaijan, Indonesia, Morocco, and Turkey, 92 to 99 percent of the public endorsed democratic institutions – a higher proportion than in the United States (89 percent).³²

Post War International Order and Liberal Peace

Following the defeat of fascist Germany and Imperial Japan and the devastation caused by the war, the liberal-democratic Western Powers embarked on an ambitious programme to reshape the international order according to liberal principles. They strove to establish what came to be known as the 'Rules Based International Order' (RBIO).

Their first aim was to pacify and liberalise the vanquished nations. West Germany and Japan received liberal democratic constitutions with guaranteed basic rights and freedoms. Western Europe, beginning with the European Coal and Steel Community, evolved into the present day European Union, an economic and political partnership of 28 nations. It is built on the two pillars of the liberal theory of peace: liberal democracy within member nations and free trade among them. Today, it is hard to imagine armed conflict in Central and Western Europe, a region of the world riven by war for over two thousand years. Japanese society under the US-imposed liberal democratic constitution has become a deeply pacifist nation relying on trade, not conquest, for its rapid progress.

The Rules Based International Order is founded on a large number of multilateral conventions and treaties. There are three major planks of RBIO as it has grown over the postwar decades: Promoting civil and political rights and liberties of persons wherever they live, fostering free trade among nations and reducing armed conflict.

Human rights violations continue unchecked in parts of the world and have got worse in many countries. However, the global progress of human rights has been positive as Christopher Farriss's mathematical modelling of human rights in the period 1949-2014 suggests.³³

There has been no armed conflict between the great powers since the end of World War II, but regional conflicts persist. The Middle East is a theatre of war. Russia's territorial ambitions in Eastern Europe, the Indo-Pakistani confrontation over Kashmir, the belligerence on the Korean Peninsula, and Chinese ambitions in the South China Sea are potential flashpoints. Yet the decline in the occurrence of war is undeniable despite an upturn of political violence since 2014 mainly involving radical Islamic movements.³⁴

Free trade

The greatest progress towards the Rules Based International Order has been in the field of international trade. On August 14, 1941, in the darkest hour of the Second World War, President Franklin D Roosevelt and Prime Minister Winston Churchill met at a secret location to sign the *Atlantic Charter* as a vision of a postwar peaceful world made up of a community of independent, secure and prosperous nations. In Clause 4, the leaders agreed that:

They will endeavour, with due respect for their existing obligations, to further the enjoyment by

all States, great or small, victor or vanquished, of access on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.³⁵

History records that victors routinely seek vengeance and exact heavy reparations from the vanquished. The Western Alliance did the opposite, reconstructing the defeated nations under the Marshall Plan and other aid programs and establishing liberal democratic governance. On a global scale, the US initiated the economic agreements at Bretton Woods, San Francisco and Havana that set up an institutional framework for a worldwide liberal economic order. Starting with the General Agreement on Tariffs and Trade (GATT) in 1948, the community of nations by tortuous negotiations built the current framework of liberalised international trade in goods and services overseen by the World Trade Organisation (WTO).

World trade during the seventy years since GATT coincided with unprecedented rates of economic growth, and third world countries were major beneficiaries. There is evidence that international trade promotes institutional improvement and the rule

of law in emerging economies.³⁶ Economic interests of nations commingle in a global economy that allows capital mobility, foreign direct investment, arbitrage, cross-border supply chains, electronic commerce, floating currencies and open stock markets. The new international economic order is one where nationalistic economic policies are difficult to sustain and conflict with trading partners is self-defeating.

Nevertheless, US President Donald Trump has launched a frontal assault on the multilateral free trade system by his imposition of tariffs on steel, aluminium and a range of other products imported from China and other countries — including allied nations. Mr Trump, who is a critic of the WTO, avoided its procedures by claiming threats to national security. He has sought to scuttle the WTO's appellate body by denying US approval of judges nominated to the panel.³⁷ Mr Trump's preference is to abandon general rules of the international trading system in favour of bilateral deals that he believes would benefit US producers and workers. If the US is successful in dismantling the current trading system, it would seriously threaten free trade, a key element of the current liberal peace.

Threats to Liberal Peace

The two pillars of the liberal peace — republican liberty and international free trade — face external and internal threats. External threats have been ever present, the gravest of them being the fascist menace of World War II and the postwar global communist movement. Communism has been discredited by experience and abandoned by most of the states that practised it. However, resurgent fascism has taken its place in Russia, China and some other ex-communist nations. There are also movements that seriously threaten liberal democracy from within.

Armed conflict with non-state actors

Terrorist attacks on liberal democracy are not a new phenomenon. In the post WWII era, so-called people's liberation movements were endemic in newly independent states. Stable, free and prosperous democracies were also targeted in the 1970s by extreme left youth organisations such as the Red Army Faction of West Germany (the Baader-Meinhof Gang), Italy's Red Brigade, Japan's Red Army, India's Naxalite-Maoist Movement and the Symbionese Liberation Army of the US. These movements dissipated for want of popular support.

The current Islamic jihadist movement poses a greater threat for the simple reason that it appeals to significant minorities in Muslim majority nations

and within Muslim migrant communities elsewhere. Liberal commitments to individual freedom, equality before the law for all including women, representative democracy and the subjection of rulers to the governance of general laws are at odds with radical interpretations of Islam. Jihadists regard liberal ideas and institutions as deadly threats to the religious social order that they seek to create. A theocracy that denies individual freedom cannot allow the free flow of goods, services and ideas.

Reactions that damage liberal democracy

The victims of terrorism are mainly innocent civilians including women and children. In recent years, a majority of the victims of Islamic terrorism have been Muslims.³⁸ In the United States, however, the majority of terrorist events have been motivated by non-Islamic causes. The personal loss and grief these crimes cause are unfathomable. Terrorism — whether leftist, rightist, religious or ethnic — imposes high costs on liberal societies. The economic costs are heavy, but the deeper harm arises from reactions.

First, terrorism, especially when religiously or culturally inspired, threatens the social consensus that underpins liberal democracy. On 15 March 2019, a white supremacist shot dead 51 Muslim worshippers in Christchurch, New Zealand. There are increasing

attacks on synagogues in the US and Europe, amidst an alarming rise of anti-Semitism.³⁹ On Easter Sunday, 21 April 2019, ISIS-affiliated Jihadists in Sri Lanka exploded suicide bombs at three Christian Churches and three luxury hotels, causing 253 known deaths. The terrorists achieved their chief aim of provoking inter-communal hostilities that the security forces are struggling to contain.

The second major cost terrorism inflicts on liberal states is the extraordinary powers that governments acquire in the cause of national security and public safety. Most Western countries enacted special counter-terrorism laws in the aftermath of the 9/11 attacks. The first of these was the *Patriot Act* passed overwhelmingly with little discussion by the two houses of the US Congress. It was followed by

the *Anti-Terrorism Act 2001 (Canada)*, *Terrorism Suppression Act 2002 (NZ)*, *Anti-Terrorism Act 2005 (Cth)*, *Counter-Terrorism Act 2008 (UK)* and similar legislation in other Western democracies. These statutes typically provide for extraordinary surveillance procedures, long term detention without trial, disclosure of private information and communications, and departures from traditional procedural and evidentiary safeguards. Many of these measures may be considered unavoidable owing to the gravity of the threats posed by terrorist organisations some of whom are backed by illiberal regimes with nuclear potential. How these powers are contained both legally and politically and limited to their legitimate ends is a true test of liberal commitment.

Fascism: The Ultimate Challenge

While it is important to address the fault lines within liberal democratic societies, it is folly to neglect the growing threat from what the former US Secretary of Defence James Mattis says are "revisionist powers that seek to create a world consistent with their authoritarian models."⁴⁰ Mattis regards Russia and China as posing greater threats to the US than terrorist movements across the world.

The classic fascist regime, as epitomised by the Mussolini and Hitler dictatorships, consists of authoritarian government dominated by one party led by a charismatic leader. In the fascist state, the party and government are difficult to separate. The nation is identified with race and the state becomes the ultimate good. Individualism is suppressed for the communal good, knowledge is censored, and civil liberties are extinguished. The fascist state favours mercantilism against free trade, rejects both liberalism and socialism, adopts capitalist means of production under state control, and displaces the rule of law with the will of the regime.

Few states today display all these features, but many are trending towards the archetype. Hitler and Mussolini rose to power within democracy. Putin of Russia, Mugabe of Zimbabwe, Chavez and Maduro of Venezuela, Ortega of Nicaragua, Erdogan of Turkey, and the theocracy of Iran used or are using democratic pathways to consolidate one party rule. The Prime Minister of Hungary Viktor Orbán claims that a democracy organised on liberal principles is unsustainable.⁴¹ Many fear that Orbán is treading a familiar path to authoritarian rule.

There are easier paths to fascism for leaders who inherit the authoritarian apparatus of failed communist states and military dictatorships. The rulers of China

and Russia who inherited the structures of dictatorship are avowed foes of free societies. Russia is working overtly and covertly to reabsorb East European nations into its fold and to subvert the democratic processes of Western nations. China's President for life, Xi Jinping, has ambitions of world domination.

Fascism and mercantilism

Fascism and mercantilism — though distinct — are closely associated.⁴² Mercantilism as national policy was born in the Early-Modern Age in the monarchies of Europe. Mercantilist policy regarded the economy as a zero-sum game in which the national interest was advanced by the accumulation of precious metals and resources to the exclusion of competing nations and by strict regulation of domestic and foreign trade by tariffs and other barriers. This brought nations inevitably into conflict so that the policy could not be sustained without military power. Mercantilism enriched the rulers and special interests at the expense of the people. The debacle of the British 'Corn Laws' (1815 to 1846) that prohibited the importation of foreign grain to increase the profits of local growers at the expense of poor consumers stands as an undying lesson of economic history.

Mercantilism receded with the advance of liberal democracy, decolonisation and global trade liberalisation, although the clamour for protection by group interests against foreign competition remains a potent factor in electoral democracies. Fascist states, in contrast, cannot abandon mercantilism without endangering their own survival. Karl Marx considered the private ownership of the means of production as the greatest cause of social misery despite its

efficiency in creating wealth. Fascism recognises that closely controlled private enterprise can be harnessed to the service of the state. The fascist state therefore rations economic freedom and selectively enlists mega corporations to its causes. However, it cannot allow unsupervised economic freedom that inevitably creates pressure for broader cultural and political freedom. China today supplies the best illustration of the interdependence of mercantilism and fascism.

The case of China

China, which gained World Trade Organisation (WTO) membership in 2001, proclaims its commitment to free trade but is a mercantilist state that threatens free trade and therefore the liberal peace. The Chinese government's policy of mercantilism has three main elements: (1) absolutism, (2) protectionism and (3) expansionism.

Absolutism

Baron de Montesquieu, in his celebrated work *The Spirit of the Laws (L'esprit de Lois)*, distinguished between monarchy and tyranny. He wrote that monarchy becomes tyranny "when the prince, directing everything entirely to himself, calls to the state his capital, the capital to his court, and the court to his own person."⁴³ The Communist Party of China (CPC) has shed its collective leadership arrangements to concentrate power in the person of Xi Jinping, General Secretary of the Party, the President of the Republic, Chairman of the Central Military Commission and the Core Leader of the Nation holding office potentially for life. The World Justice Project, in its *2018-2019 Rule of Law Index*, ranked China at 119 out of 126 countries on the criterion of 'Constraints on Government Powers' and at 121 on 'Fundamental Rights'. Judicial independence is negated by China's law which gives the National People's Congress the authority to supervise, direct and override all levels of the judiciary.⁴⁴ Xi's anti-corruption campaign has netted many high officials and entrepreneurs but, in the absence of due process, is a weapon of political retribution.

China practises pervasive censorship and controls internet traffic. The 'Great Firewall of China' keeps out Facebook, Twitter, Google, You Tube, Amazon and websites of many Western news organisations. The government has interned over a million Muslim Uyghurs of the Xinjiang Autonomous Region in 're-education camps'.⁴⁵ It is developing a ranking system that assigns a social credit score for each citizen according to their behaviour using vast amounts of personal data gathered by advanced IT and AI.⁴⁶ China has also developed advanced surveillance technologies that are eagerly received by dictatorial regimes such as those of Venezuela and Zimbabwe.

Protectionism

The United States and the European Union do not recognise China as a market economy.⁴⁷ China's international trade is spearheaded by giant state corporations whose subsidies cannot be quantified. Mr Trump with justification accuses China of large-scale intellectual property (IP) theft. China's stifling regulation limits access to its vast domestic market by foreign companies. The government-owned trading corporations and banks are key players in the nation's economy. The privatised sector is indirectly state controlled and does the state's bidding. It would be a suicidal company that disregards the wishes of the state. Economic actors have no recourse against the capricious actions of the state. The US and EU have long accused China of currency manipulation and trade-related IP violations. The government's 'Made in China 2025' policy defies WTO rules. The slogan was dropped recently but not the policy. As leading China expert John Lee points out, the WTO rules were not designed to deal with a political economy like China that consists of "complex and opaque networks of relationships and connections between the CPC, the state, regulatory entities, administrative entities, businesses and individuals [that] are unique to China and unprecedented in scale and density among nations."⁴⁸

All states, liberal democratic or autocratic, practise forms of protection. The differences are in the extent, transparency and contestability of protectionist measures. In liberal democracies barriers to entry are visible and winners and losers have forums to complain. The barriers in an autocracy, whether legal, administrative, political or cultural, are hard to see and harder to overcome. The biggest challenge for the Trump administration in resolving its current trade dispute with China concerns the difficulty of securing Chinese compliance of agreed terms.

Expansionism

The immediate aims of Chinese expansionism seem to be the territorial dominance of the South China Sea over the claims of other littoral states and the reabsorption of the *de facto* independent and prosperous liberal democratic state of Taiwan. However, China's ambitions stretch far and wide.

The 'Belt and Road Initiative' (BRI) seeks to establish Chinese controlled trade routes across Asia and into Africa and Europe by acquiring controlling interests in key infrastructure of the host countries and where possible gaining military facilities and diplomatic leverage. Former US Defence Secretary James Mattis said: "The Ming Dynasty appears to be their model, albeit in a more muscular manner, demanding other nations become tribute states, kowtowing to Beijing."⁴⁹ Political scientist David Martin Jones says the China dream "envisages Eurasian hegemony based on

China's market theft and capital investment."⁵⁰ China specialist John Lee concludes:

More than any other major economy, [China is] prepared to use state power, laws, regulations and resources to:

- ensure that state-owned enterprises and 'national champions' dominate in targeted sectors, domestically and internationally
- lock in guaranteed external markets for those entities, especially through its Belt and Road Initiative and the Initiative's Digital Silk Road arm
- support the use of forced or illegal IP transfers to allow state-owned enterprises and national champions to compete and eventually dominate
- rely on opaque and even corrupt political deals to create economic footholds for Chinese entities (such as occurred in Malaysia and the Maldives).⁵¹

Chinese state-owned banks give loans to poor countries to fund infrastructure, often vanity projects of doubtful value, to be built by Chinese state-owned corporations with Chinese labour. In Sri Lanka, the Chinese built a cricket stadium in the wilderness, a little-used airport next to a famed wildlife sanctuary, and a harbour now virtually owned by the Chinese under long lease. Chinese companies are currently building a 'Port City' on Colombo's once scenic waterfront. Lack of transparency in these transactions breeds corruption and causes institutional debasement. This has been highlighted in several countries. In Malaysia, the Republic of the Maldives and Sri Lanka, parties that questioned Chinese-funded mega-projects were elected to office. The levels of incurred debt, however, impose severe constraints on succeeding governments' freedom of action. As the Joint Communique of the European Commission and the EU High Representative for Foreign Affairs and Security Policy commented, Chinese ventures in the Third World

frequently neglect socioeconomic and financial sustainability and may result in high-level indebtedness and transfer of control over strategic assets and resources. This compromises efforts to promote good social and economic governance and, most fundamentally, the rule of law and human rights.⁵²

Western democracies are not entirely innocent when it concerns colourable means of furthering strategic goals. Most notoriously, China was grievously harmed, economically and socially, by the nineteenth-century 'Opium Wars' prosecuted by the British government. Western powers sustained disreputable right-wing dictators in the Cold War era to resist communist expansion. Today, US foreign policy turns a blind eye on the atrocities of Arab dictators. Overall however, the dealings of Western nationals abroad are open to scrutiny under anti-corruption laws such as the US Foreign Corrupt Practices Act 1977. Most free trade

agreements contain anti-corruption provisions and under Australian federal law, bribery of foreign public officials is a crime punishable by imprisonment.⁵³ Canadian Prime Minister Justin Trudeau faces heavy scrutiny for his intervention on behalf of SNC-Lavalin, a Canadian company accused of bribing Libyan authorities in breach of Canadian law.⁵⁴

It is no secret that large corporations in China, willingly or unwillingly, serve the strategic objectives of the Chinese government. Auburn University researchers Frank Cilluffo and Sharon Cardash say this about Huawei.

No Chinese company is fully independent of its government, which reserves the right to require companies to assist with intelligence gathering. Huawei is even more closely tied to the government than many Chinese firms: Its founder, Ren Zhengfei, is a former technologist in the People's Liberation Army. As his company grew, so did international concerns about whether Huawei equipment could be used to spy on companies and governments around the world.⁵⁵

The CPC under Xi seeks to enlist the Chinese diaspora to the cause of nationalism. Most migrants to liberal democratic nations develop strong loyalties to host nations without shedding the sentimental connections to their motherlands. However, as Isabel Hilton observes, the Party regards emigrés as "all sons and daughters of the Chinese nation bounded by Chinese blood" whom the United Front [Work Department] pledges to "support," or, more precisely, to enlist in its mission to ensure that the Party's version of China's history, politics and society prevail".⁵⁶

Will the pendulum swing back?

Liberals must hope but not expect that China will liberalise any time soon. The CPC under Xi considers the penetration of liberal ideas into Chinese society as a major threat. The 'Communiqué on the Current State of the Ideological Sphere' (known widely as Document Nine) confidentially circulated to the Party, government and the armed forces warns of perils posed by liberal ideology⁵⁷ including Western constitutional democracy, universal human rights, Western-inspired notions of media independence and civic participation, ardently pro-market 'neo-liberalism' and 'nihilist' criticisms of the party's traumatic past.⁵⁸

Wolfgang Kasper rightly cautions against a deterministic view of the trajectory of Chinese governance. He raises but leaves unanswered the question: "Will Eastern civilisation, as it evolves, be shaped more by the Confucian/Daoist tradition that relies on internal, informal institutions and voluntary compliance, or the Legalist-Marxist tradition that relies on strict top-down rule enforcement by a central authority?"⁵⁹ We cannot foretell the future but only speculate from what we know. Daoism is

one of the five religions recognised by the Chinese state, the others being Buddhism, Catholicism, Protestantism and Islam. Daoism's mystical focus on the Cosmic Dao, understanding and living in harmony with the eternal nature of the Universe, contrasts with Confucianism's practical concern with outward behaviour at the individual, familial, societal and rulership levels. Daoism and Confucianism were long suppressed by the Communist state but since the 1980s have been allowed to revive under close state oversight. Daoist associations at all levels are governed by the Religious Affairs Offices of the Provinces.⁶⁰ Confucianism, long neglected, was resurrected by Jiang Zemin who became Core Leader in 2000. Since then the CPC has harnessed a 'modernised' version of Confucianism to the cause of strengthening and legitimising the hegemony of the Party. As one China scholar says: "First, the meaning of the modernization of Confucianism is very vague in the official discourse. But its target is clear: to stabilize and perpetuate a particular political order."⁶¹ Hilton argues that the Chinese leadership is inspired more by Han Fei, an exponent of the Legalist School and favourite of the tyrannical first Qin emperor.

While Confucius's fortunes have fluctuated, Han Fei's approach has been a consistent if little acknowledged thread in Party's governance. He would certainly have endorsed Document Nine's rejection of judicial independence: Han Fei, like the Party, endorsed rule by law, not rule of law.⁶²

The liberalising potential of Confucianism after its sanitised assimilation to Party doctrine is unclear. Kasper, however, is right to point out that the ethics of "humanism, just intentions, respect, discipline, wisdom and honesty are key Confucian attitudes, to which Westerners can also subscribe."⁶³ In fact, those are moral values without which free markets cannot function.⁶⁴ However, China's liberalisation, if it happens, is more likely to follow demands of the expanding middle class for greater individual freedom and accountable government and the diminishing capacity of the Chinese economy to sustain its growth without the Party loosening its control over the lives of the people.

There may also be an inherent limit to CPC's global ambitions, as Salvatore Babones explains in his book *American Tianxia: Chinese Money, American Power and the End of History*. The Chinese *Tianxia* meant the world radiating from the Emperor. It was maintained by imperial power. In contrast, American hegemony is based on individual choices. The US is home to the peak centres of education, research, high technology, entertainment, finance, business and art because it attracts talent by the individual freedoms it offers foreigners in contrast to the Chinese policy of overriding loyalty to the state and Party. Babones concludes: "Only a state founded on the primacy of the individual and ideologically committed to freedom of opportunity for all individuals could succeed as the central state of a truly global world-system."⁶⁵ Hilton too doubts the capacity of the Party to co-opt the diaspora to its global cause. The dilemma it faces is that "The more China engages in the world, the more its citizens travel, and its businesses put down roots abroad, the more it must compete with the ideas and practices that prevail in places with cultural and academic freedom."⁶⁶

Kasper is again right when he says that preserving a shared framework of overarching rules is important for non-violent constructive global competition.⁶⁷ Preserving the system when the second biggest player does not play by its rules is a major challenge. The United States, the EU and Japan see Chinese domestic and foreign policies as the major threats to the rules based international order. Mr Trump opts for a trade war, or at least a skirmish, believing that the time for persuasion is over. He thinks that the US cannot lose and that his electoral base will be happy to bear the cost. He might be right. Mr Xi though has two advantages over Mr Trump. First as leader for life he has no electoral concerns and therefore has more capacity than Mr Trump to burden the people. Second, he has the advantage of opacity of the state that Mr Trump lacks. China has greater capacity to cheat on its treaty obligations than has the United States.

The latest US-China trade talks in Washington on May 11, 2019 failed after Mr Trump ordered further punitive tariffs. China has retaliated in kind — though the parties say they will continue negotiations.

Internal Threats to Liberal Democracy

Liberal democracies must be vigilant and prepared to counter external threats. Equally, they need to recognise and address internal movements that, by design or unintended consequence, threaten their values and institutions. Fragile liberal democracies are prone to subversion by leaders who are elected on populist programs and stay in power by systematically disabling their political opposition, the independent media and constitutional checks and balances.

Liberal democracy, majoritarianism and populism

There is a critical difference between majority rule and liberal democracy. Liberal democracy is a form of government that limits the powers of elected governments by constitutional checks and balances and the fundamental rights and liberties of citizens. These restraints might be entrenched in a written constitution or be observed in practice by force of culture and convention as in the United Kingdom and New Zealand.

Unrestrained majority rule is impossible except, perhaps, in a world of angels. This is why James Madison remarked that "If angels were to govern men, neither external nor internal controls on government would be necessary."⁶⁸ Sooner than later, unchecked majority rule becomes minority rule. Rulers who may determine the limits of their own powers naturally seek to expand and perpetuate them. The judiciary, the media and the electoral system are early targets for intimidation and corruption as the world has seen in Russia, Turkey, Venezuela, Nicaragua, Zimbabwe and now distressingly in the Philippines, Poland and Hungary.

Liberal democracy is unique among systems of government for its toleration of dissent. Critics are free to question liberalism's basic values and institutions. As philosopher Brian Barry says, "For though liberalism does presuppose a theory of the good, it is one in which freedom plays a central role, and this includes the freedom to create a community based upon non-liberal principles."⁶⁹ Liberal democrats must welcome criticism as a necessary and important incident of the freedoms that they cherish. Liberal democracy, true to its principles, cannot be insulated from its critics who do not violate the law of the land. A closed and unexamined system inevitably decays and petrifies. While the basic principles and values of liberalism must be defended, the institutional structures of the liberal democratic state should be open to constant scrutiny for they are ever susceptible to capture and corruption.

Populism – good and bad

According to data published by the Swedish liberal think tank Timbro, authoritarian populist parties in Europe participate in 11 of 33 governments in Europe, reflecting their dramatic electoral gains in recent years.⁷⁰ There are unmistakable populist themes in the politics that brought Mr Trump to power.

However, 'populism' is a nebulous term. The label is claimed by parties of the left and the right who oppose what they call the 'establishment', also an imprecise term which usually means the elites who dominate the centres of political and economic power. Populism can be good or bad for liberal democracy. Likewise, so can the 'establishment'. An 'establishment' that is unresponsive and uncaring and serves special interests at the expense of the general interest of society is bad. Populism that seeks to reform such an establishment is good.

However, we need to bear in mind two facts. First, there will always be a governing establishment in a functioning state. The alternative, in the absence of an anarcho-libertarian utopia, is social and economic chaos that is the natural breeding ground of dictators. Hitler and Mussolini rode to power on waves of public disenchantment with the *status quo* but, once empowered, created monstrous establishments. The Bolsheviks who overthrew the Czarist establishment replaced it with a brutal dictatorship. Mao Tse Tung's Cultural Revolution that sought to destroy forever the establishment, by some estimates, cost two million lives. Robert Mugabe of Zimbabwe and Hugo Chavez of Venezuela who gained power by anti-establishment promises created establishments that enriched them at the expense of the poor. The list is as long as the political history of our race. The second pertinent fact is that establishments being human can never be perfect. Since there will always be an establishment, the constitutional task of a liberal democracy is to tame it and direct it to the public good.

Authoritarian populism

Not every populist movement is authoritarian. The 'people power' movements that ousted the dictatorships in Indonesia, the Philippines and the Maldives were anti-authoritarian. So were the popular uprisings that ended the communist dictatorships in Europe and inspired the short lived 'Arab Spring'.

Populist movements of the left and right diverge in goals but share one important element. They claim that there is a 'people' who they alone represent. They consider constitutional checks and balances as dispensable when they obstruct the popular will.

Andrzej Lepper, a leader of the populist Samoobrona RP (Self-Defence of the Republic of Poland) and a former Deputy Prime Minister of Poland, expressed his disdain for the rule of law, saying that "If the law works against people and generally accepted notions of legality then it isn't law. The only thing to do is to break it for the sake of the majority."⁷¹ This was also Adolf Hitler's philosophy.

The most dangerous sort of populism is founded on nativism that identifies a race or religion with the nation, the nation with the state and the state with a charismatic national saviour. Populist leaders usually arise in times of discontent, with promises of restoring the nation to greatness. No society can wholly eliminate discontent, and those that tried it, like the communist states, fared the worst. Dissatisfaction is part of being human and is a driver of change and growth. Happiness depends on what a person expects of life and expectations change with the state of the world. Our ancestors did not desire fast food, smart

phones, Facebook friends and instant entertainment for these were not of their world. They had other unfulfilled wants.

It is easy to take the prosperity of liberal democracies for granted and to magnify every problem as a crisis needing a radical response. As Pinker warns: "When we fail to acknowledge our hard-won progress, we may come to believe that every problem is an outrage that calls for blaming evildoers, wrecking institutions, and empowering a leader who will restore the country to its rightful greatness."⁷² Among these villains are invariably foreigners and minorities, international traders, mainstream politicians, bureaucrats and experts who Donald Trump calls the swamp that needs to be drained. Trump perhaps did not know that '*Drenare la palude*' or 'drain the swamp' was an early catch cry of fascist dictator Benito Mussolini in his surge to power. Surely his advisors Stephen Bannon and Michael Anton knew.

Fault Lines of Liberal Democracy

Liberals must recognise and address the fault lines of liberal democracy if they wish to defend their system against populism of the left and the right. Constitutions and laws do not exist by the magical force of written texts but because of a culture of reverence that they command among officials and citizens. This fidelity can be eroded if the system betrays the legitimate expectations of the community and threatens the culture that sustains the system. This has happened in a number of ways in Western democracies.

Hyper-partisanship and rejection of the ethics of liberal democracy

Constitutional systems of free societies require a culture of 'playing by the rules'. These rules comprise not only formal enactments but also well-known constitutional conventions and less articulate, but no less critical, moral restraints. The parliamentary practice of 'pairing' — whereby a party gives up a vote to balance that of a member of the opposing party who is absent for good reason — is an example of the latter kind of restraint. The Westminster democratic practice of appointing judges on merit rather than political loyalty is another. So is the acceptance of the legitimacy of opposing parties, critical media and most importantly, the results of elections. The civility of political debate has been a hallmark of stable liberal democracies that are built on a broad consensus

among political parties who, despite sharp policy disagreements, subscribe to the basic rules and values of the system.

Hyper-partisanship threatens these norms. The further people move to the extremities of the political spectrum — whether to the left or the right — the more they seem to lose the etiquette of civil political discourse. Just as Marxists disdained constitutional checks as bourgeois fetishes, populists on the right treat them as dispensable obstructions in their assault on the establishment. Mr Trump will not accept the outcome of presidential elections unless he is the winner. He treats the media that criticises him (sometimes unfairly) as the enemies of the people. He uses emergency powers to undermine Congressional control of public finance. He calls unfavourable stories 'fake news' while unashamedly peddling his own. These words and actions would be alarming in a country that lacks the dispersal of power in the US. Trump's opponents react in kind. They focus inordinately on Trump's personal failings while ignoring his domestic and foreign policy successes. It seems that for his support base, Trump can do no wrong and for his opposition he can do no right. Politics in the US is trapped in a 'prisoner's dilemma' situation; each side afraid to take the risky moral high road for fear of losing to the cheating opponent. This is bad for liberal democracy. I do not have a ready answer to this problem. Its reversal needs a revival of moral leadership.

Taking democracy out of liberal democracy

Liberal democracy has to be both liberal and democratic. One is short-lived without the other. Populists elevate untempered majoritarian democracy above the rule of law and individual freedom. Liberals have allowed the creeping accumulation of power by government agencies and special interests. Liberal democracy is assaulted from both ends.

Loss of control of law-making processes

A community lives by generally known and accepted rules of conduct. The immense growth of the administrative state has transferred substantial legislative power to the unelected bureaucracy. The European Commission is the most prominent example of this democratic deficit. But executive legislation pervades Western democracies. Ministers, officials and statutory bodies make enormous volumes of subordinate legislation unscrutinised by parliament. Rights and duties of citizens are increasingly determined by non-judicial bodies with licence to depart from due process and apply vague legislative standards in pursuit of policy goals rather than clear entitlements. The cumulative effect of the drift of power to bureaucrats with authority to make the law at the point of its execution, to shape the law to the aims of policy in disregard of established rights, is a steady erosion of individual freedom and democratic accountability.

Insidious assault of the pc movement

A person's freedom in Western liberal democracies is limited not only by primary legislation but also by the rules of large organisations and by contract. Organisations such as universities and statutory corporations make rules by delegated legislative authority. Some restrictions also flow from employment and commercial contracts. There are other kinds of coercion that stem from political action groups who coerce society to their way of thinking. Universities in the West, especially in the liberal arts and social sciences, are dominated by faculties that are intolerant of liberal views. One of the great achievements of liberal democracy, equality before the law, has been eclipsed by the notion of diversity pursued by universities, governments and even national sports bodies and commercial entities that stand to benefit by taking the politically correct line. Universities demand politically correct language, impose diversity at the cost of merit and banish from campuses speakers that student unions dislike. University campuses, once the bastions of free speech, are becoming zones of intolerance and censorship.

One of the greatest Australian rugby players has been sacked by the game's governing body, Rugby Australia (RA), having been found guilty of a serious breach of his contract. Israel Folau is his name and

he stands to lose millions of dollars and an end to his sterling career. He is a devout Christian whose church teachings disapprove of homosexual relations. His crime is saying this on social media. I do not share Folau's faith; but with Voltaire, I must as a liberal defend his right to express it — as I must the right of others to condemn his belief. Folau's expulsion from the game is a flagrant violation of the freedoms of speech and of religion. His sacking is said to be justified by RA's policy of inclusiveness, which clearly does not include conscientious dissenters from the moral positions of the RA and its financial backers; among them, ironically, is QANTAS, which has a partnership with Emirates — owned by the United Arab Emirates that criminalises homosexuality.

In most liberal democracies racial vilification and incitement to violence are punishable offences but not speech that merely causes offence. Yet in Australia, it is unlawful for a person to commit an act that "is reasonably likely, in all the circumstances, to offend, insult, humiliate or intimidate another person or a group of people ... because of the race, colour or national or ethnic origin of the other person."⁷³ The vagueness of the expression 'reasonably likely, in all the circumstances, to offend' places an unprecedented limit on free speech that has no parallel in other liberal democracies.

Unfairness

An important driver of the populist upsurge is a sense of systemic unfairness felt by some people who are left behind even as society becomes wealthier. The disquiet is not about inequality itself, but the unfairness that allows some people to get rich at the expense of others. People are not, usually, upset because their neighbour wins a million dollars in a fair lottery. They do not begrudge entertainers and sports stars for the multimillions they earn, nor fellow workers for the promotions they earn by hard work or excellence. People tend to accept unequal distribution when the system is fair.⁷⁴ They are resentful when the rules or their enforcement allow big players to dominate sectors of the economy or avoid the force of the law. Financial institutions have been heavily criticised for malpractices and opaqueness and regulators for their prudential neglects.⁷⁵ There is growing unease about the commercial exploitation of personal data by tech giants without consent or recompense. The absorption of promising start ups and restrictive trade practices by the big players threaten competition and consumer choice. There are fears of censorship by tech firms that own the social media airways. They are accused of paying minimal tax on mammoth incomes. Mr Trump has successfully harnessed to his cause working class fears of globalised trade and foreign competition. He hasn't said much about the effects of automation and AI.

Not all perceptions of unfairness are well grounded; but some are, and perceptions matter in a democracy.

Unaddressed, they undermine public faith in liberal democracy. The usual panaceas of heavy-handed regulation and protectionism will only worsen problems. The solution to declining competition is to identify and remove barriers to entry, enforce the laws against predatory practices and where necessary use anti-trust legislation. The solution to displacement by foreign competition is not protectionism which is self-harm. Tariffs are taxes on consumers and manufacturers. Protected industries have less pressure to innovate and will let down consumers and themselves eventually. As Brink Lindsey says:

Actually, most of the countries that have engaged in really sweeping free-trade reforms in recent years — countries like Chile and Argentina, Australia and New Zealand — have done so unilaterally. Interestingly, Mexico belongs on the list as well: its unilateral market-opening moves in the late 1980s were far bolder than anything Mexico promised under NAFTA. The driving force for reform in all these countries wasn't tough bargaining or the prospect of a *quid pro quo* but rather the realization that protectionism was causing economic stagnation.⁷⁶

Yet, every Schumpeterian transition has casualties — people ill-adapted to the new way of doing things. They need to be protected by the classical liberal social contract under which the community accepts a moral duty to help those who are helpless.⁷⁷ As the northern European nations, Australia, Canada and New Zealand show, a well-defined generous social safety net is not incompatible with superior economic performance, high standards of living, individual freedom and the rule of law.

Rule of law at the borders

The strongest impetus for the current nativist populist movements in Europe and the United States is the fear of uncontrolled mass immigration. Given its complexities, this subject cannot be fully discussed here, but a few salient points need to be stressed.

It is hardly surprising that the movement of people seeking permanent migration today is one-way — from dysfunctional illiberal states to prosperous liberal states. Migration of people across nations is a historical phenomenon. It has produced enormous economic and cultural benefits to host countries and helped to alleviate poverty in many parts of the world. Rome could not have attained its grandeur without harnessing and integrating the human riches of its conquered provinces. The greatness of the United States is built on the genius and industry of immigrants. Apart from economics, liberalism abhors the idea of shutting the door on those fleeing oppression. However, a liberal democracy cannot accept unlimited or uncontrolled migration without

endangering its institutional foundations. This is a cold hard fact.

Not all migrants sign up to the liberal rules of the game — as shown by recent terrorist events. Even if these are dismissed as inconsequential or manageable, the sense of insecurity and resentment caused by mass migration is used by nativist demagogues to discredit liberal institutions. The far-right parties in Europe owe their recent successes to these concerns. Key elements of Donald Trump's winning strategy were the promises of a great wall on the Mexican border and a halt to Muslim immigration to the US. Liberals who dismiss these concerns solely as racial prejudice commit a serious error and undermine their cause.

Apart from security and cultural concerns, the disorderly and unrestrained immigration threatens the rule of law, the foundation of a liberal democracy. The notion that the rule of law may be selectively applied and neglected when inconvenient is facile and inevitably leads to its general decline. The rule of law at the border is no less important than it is elsewhere in the nation. The law's uncertainty at the border begins with the vagueness of international law relating to asylum and refugee status. The common definition of a refugee, derived from the *Rome Convention on Refugees* is "a person who has fled their country of origin and is unable or unwilling to return because of a well-founded fear of being persecuted because of their race, religion, nationality, membership of a particular social group or political opinion." Liberal democracies take this definition seriously and provide fair administrative and judicial processes to determine claims of refugee status. However, every well-trained lawyer knows that the width and vagueness of this definition, coupled with the difficulties of verifying facts, makes accurate assessment of claims for refugee or asylee status next to impossible in many cases. Large-scale arrival of migrants makes border control unmanageable, as witnessed in Europe and the US. It is not possible to have enough refugee tribunals or courts to deal fairly with the mounting caseloads. This creates an enormous moral hazard. Donald Trump's great southern wall may not be the right solution but the general principle of border security that he espouses is undeniable.

Peaceful and prosperous societies will always attract migrants from poor and ill-governed parts of the world. Border security and orderly migration in the long term can be achieved only with the political and economic reform of the states from which people flee. This will require concerted and intensified efforts on the part of wealthy liberal democracies to promote reform in dysfunctional autocratic states, to make them hospitable and prosperous so that they retain and benefit from the greatest resource of human kind — people themselves.

Concluding Thoughts

The post-World War liberal peace has not eliminated armed conflict. However, in regions of the world where republican government and free trade prevail, there has been a dramatic reduction of war and unprecedented economic growth. It has enabled millions of people to escape from poverty and bestowed affordable goods and services unimaginable at the beginning of the Twentieth Century.

There were hopes that Russia and China would eventually join the liberal democratic family — as their people have much to gain by freedom and free exchange with the West. According to economic theory, all else being neutral, constitutional systems will converge as the successful models encourage imitation. Sadly, the interests of despotic rulers do not necessarily coincide with the interest of the people. Dictators stay in power by brutal repression. Those who seek to buy the loyalty of the people by spreading wealth face a dilemma. Wealth creation requires the release of the entrepreneurial energies of individuals seeking their own advancement. However, the more prosperous the people become, the less dependent they are on the state and less happy to accept state control of their lives. The post-World War II period witnessed the transition of a large number of dictatorships to liberal democracy. There were many causes of these transformations and no single theory will account for all of them. However, there is no doubt that at least in some countries — such as South Korea, Taiwan, Indonesia, Spain, and Chile — growing prosperity led to political liberalisation. The CPC is determined to prevent that happening to China.

How should liberal democracies respond to the internal and external challenges they face? They must recognise that the external and internal forces are interlinked. The weakening of liberal democracy strengthens authoritarian regimes directly and indirectly. Populist parties of the West look to inspiration from strongmen like Putin and Erdogan.

Fascist states naturally profit from the weakening of liberal democracy.

Liberal democracies must continue to defend themselves by strengthening alliances and military readiness against external threats. In a world interconnected economically, technologically and culturally, as never before, isolationism is not a rational option. Nor is unilateralism. A policy of 'America First' is not wrong provided it is understood that, in the present world, America's destiny cannot be quarantined from the fate of the free world. The opponents of liberal democracy within and without desire the end of liberal peace that would follow the rupture of liberal democratic alliances.

Liberal democracies need to pay heightened attention to the security of digital infrastructure — especially to guard against attacks on liberal political institutions — and must be cautious of foreign state-supported investments in critical infrastructure and assets that pose security threats. They must strengthen, not weaken, the rules based international order. Concerted measures are needed to reform WTO rules to prevent hidden subsidies, regulatory barriers to foreign competition and forced technology transfers. These are not easy to implement against opaque regimes, but retaliation in kind would be self-defeating. In the long run, closed societies harm themselves more than they gain by protection.

Liberal democracies should continue to encourage and assist the liberalisation of autocratic states especially in the Third World. They need to restore the rule of law at national borders. Above all they must address their own institutional weaknesses.

The world has no stable end-state and history has no ending. The defence of liberal democracy is a never-ending challenge that that is the burden of each generation. Their rewards are freedom, peace and prosperity.

Endnotes

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