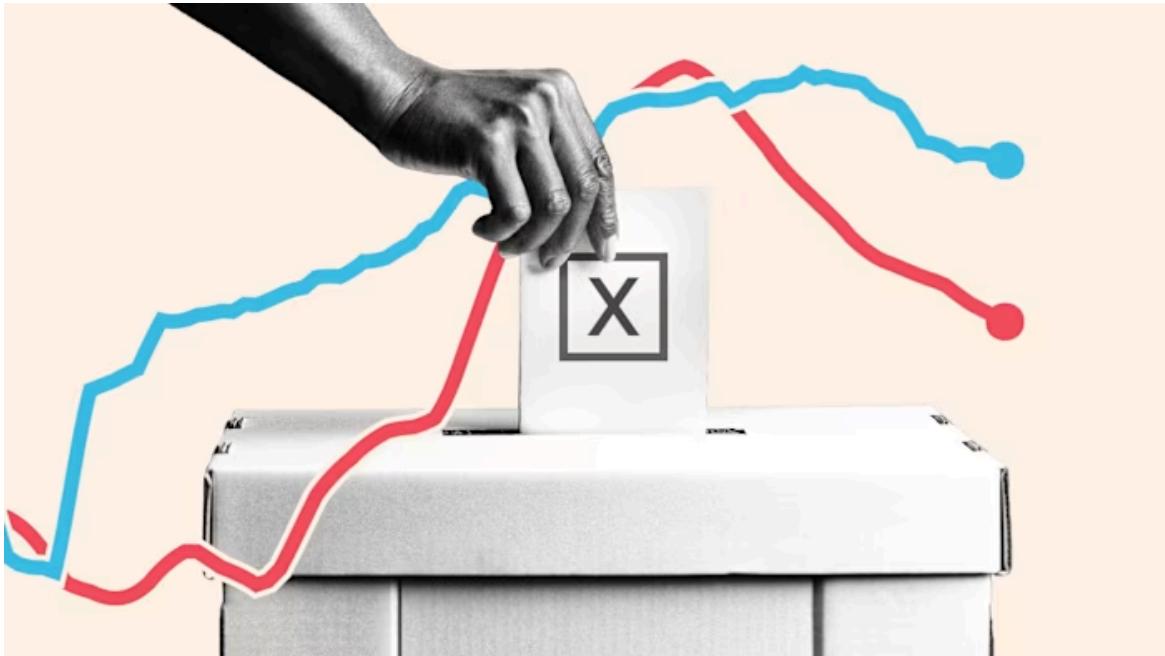


Is liberal democracy in terminal decline?

The old system worked under a set of conditions that are no longer present

JOHN BURN-MURDOCH



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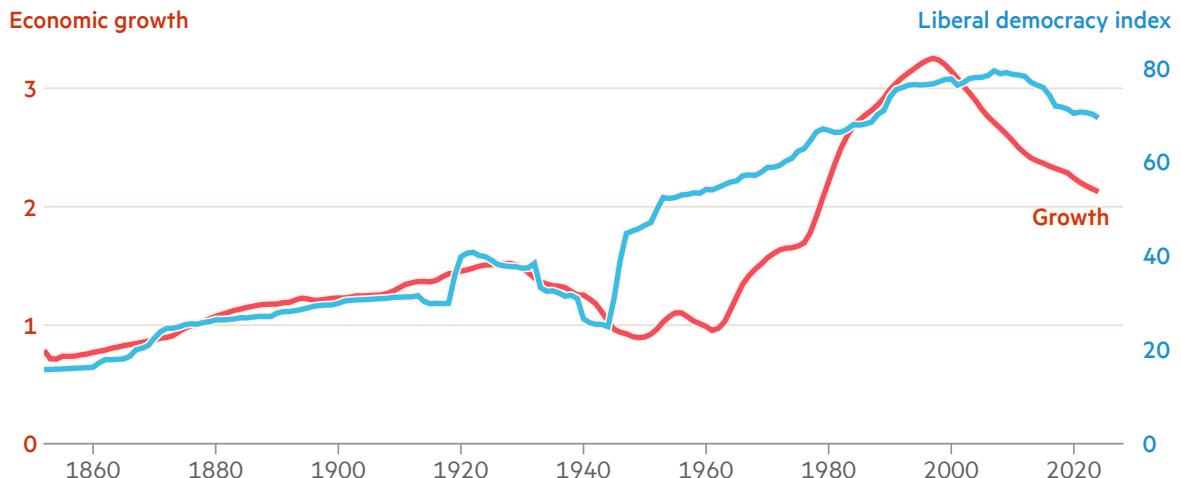
It can be easy to lapse into the view that the rise of liberal democracy over the past two centuries was an inevitable and natural part of humanity's forward march — a one-way journey to a better way of doing things. But this is not the case.

In a striking pattern [most recently highlighted](#) by US political economist Matthew Burgess, the advance of liberal democracy through the developed world has tended to track economic growth. This is not to rehash the view popularised by modernisation theory that [growth automatically produces liberal democracies](#) — look at China and the Gulf — but recent events suggest it may be necessary to sustain them.

Ominously, I find that when updating this analysis to the present day, the pattern has continued in reverse over the past 15 years: democratic backsliding, the advance of populists and the breakdown of the liberal world order have all tracked a clear economic and demographic slowdown. Viewed through this lens, the political and geopolitical turmoil of the past decade is not an aberration or a series of special cases, but the new normal.

Liberal democracy grew alongside economic growth, and is eroding as growth weakens

Average annual GDP per capita growth (%) vs V-Dem index of liberal democracy* (0-100) in high-income countries



*Measure of the extent of voting rights, freedom and fairness of elections, freedoms of association and expression, civil liberties, and executive constraints

Sources: Maddison Project Database; OECD; V-Dem
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This finding fits neatly with Canadian Prime Minister Mark Carney's observation at Davos that we are now in a fundamentally different world to the one of a couple of decades ago. Carney's comments were centred on geopolitics, but they apply just as well to this much broader sphere: the economic and demographic environment that allowed what he calls the "ruptured" liberal democratic order to take hold in the first place.

Crucially, this framing tells us that while Donald Trump is clearly a singularly disruptive figure, his rise is also symptomatic of much broader social and economic shifts — changed conditions that do not look set to reverse any time soon.

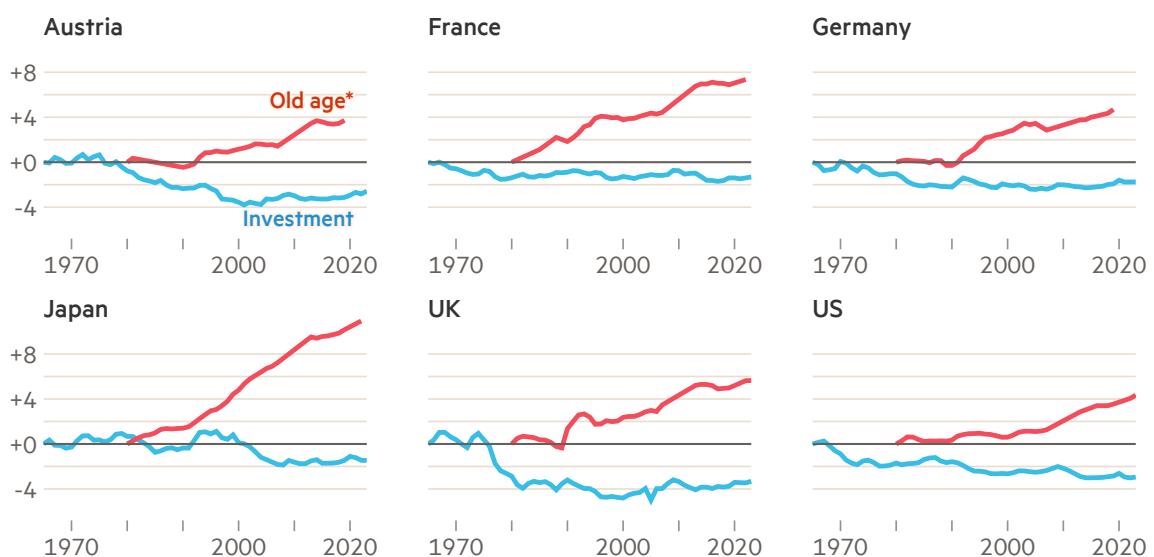
Research finds that key underpinnings of liberal democratic societies such as trust and co-operation between different communities and nations are fostered by rising prosperity. It creates optimism and serves as proof for core ideals such as the belief that we all gain if we put the greater good and long-term thinking ahead of narrow self-interest and short-termism. Economic growth also helps reduce ethnic and other inter-group tensions, increasing trust by weakening the sense of fighting over a fixed pool of resources.

The new low-growth world of zero-sum competition and ageing populations is fundamentally different, and it follows that it will have fundamentally different politics. Stagnation breeds a politics of impatience, self-interest, hostility towards out-groups and a "smash the system" disregard for norms and institutions that were centuries in the making.

Increasingly top-heavy demographics damp economic dynamism since older workers are [less innovative](#) and less likely to move jobs ([a key source of creative destruction](#)). The changing age profile of society places ever greater pressure on public finances, prompting unpopular tax rises and [squeezing out](#) the kinds of spending that provide visible evidence of progress or plant the seeds of growth in the years to come. The results are decaying infrastructure, weak productivity growth and record-high dissatisfaction with the governments and [broader political systems](#) that have overseen this slide.

Government spending on **older people** has risen; **public investment** is down

Change in government spending, by category (%-pts of GDP)



*Old age spending includes pensions / social security as well as health spending on people aged 65+

Source: FT analysis of OECD, European Commission, United Nations

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Is liberal democracy, then, in terminal decline? The rise of Carney himself offers a glimmer of hope, fuelled as it was by a [reaction against Trump](#). But electoral trends in Europe do not suggest a repeat. A broad-based recovery of the liberal order will probably depend on a turnaround in the underlying trends, and here the signs are less promising. Attempts to soften the impact of worsening demographics are routinely rejected by voters and parties on both [left](#) and [right](#). And the most promising source of renewed economic dynamism — AI — is likely to [worsen inequality](#) and [increase societal instability](#), further [undermining](#) faith in democracy and hastening the slide into a zero-sum world.

Events of the past year have shocked the democratic world out of its daze, but it is these more powerful and slow-moving forces that should be the lasting cause for concern. Trump may fade from view in a few years, but any expectation that the liberal order will snap back flies in the face of the evidence. The old system was one that worked under a particular set of conditions. Those conditions are no longer present.

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Is liberal democracy in terminal decline?

<input type="radio"/>	Yes
<input type="radio"/>	No

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