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Winning Back the Future – Preparing for a Comeback of Democracy

Where will it end – and lead to? For some time now, governments around the world have been driven by acute crisis management, with democracies increasingly challenged by populists and authoritarians. Will populists defeat themselves by not fulfilling the promises they have made, as has been the case of the Brexiteers? Will the French, the British or the new German governments succeed in combating right-wing populist parties by pursuing migration policies that mimic right-wing rhetoric? Or will classical market-liberal recipes help win voters' trust by supposedly strengthening economic growth? It seems questionable at best. Despite the apparent failure of Brexit, right-wing populists have regained support. Similarly, restrictive migration policies in Germany have not prevented the Alternative for Germany (AfD) from becoming the strongest party in the polls.

The answer depends on the big picture. One reading that has been empirically validated in recent years is that shrinking confidence in democracy is due to the failure of market-liberal globalisation that has left many feeling helpless and angry. Without new and convincing ideas redefining the role of markets and governments in society, the corresponding vacuum has, as often in history, left space for populists who fill the void with easy and increasingly authoritarian answers.

If this reading is correct, finding a new and more convincing paradigm that allows us to respond to the real challenges of our times will be crucial to stop populists from winning. It may even be the precondition for democratic governments to win back trust and real effectiveness. It would then be wise to start thinking about such a new setting in the midst of turbulence that only allows for immediate crisis management to limit the damages – from trade wars to setbacks in climate policies.

Ultimately, the task will be to demonstrate that there are better policies that effectively address the powerlessness widely felt in a world seriously challenged by inequalities, the frightening power of tech oligarchs, a deepening climate crisis, poorly managed globalisation and the inefficiencies of public action. It is also about designing policies beyond the former naive belief in global markets, as well as beyond the old form of bureaucratic government. This idea of thinking beyond the acute crisis has been at the centre of what has been discussed at the second Berlin Summit in June 2025 on "Winning back the future".

There has been plenty of evidence that populists have massively profited from the despair of people in left-behind regions like the industrial Rust Belt in the midwestern US. If such distrust is linked to a sentiment of having lost control, then any attempt at demonstrating the effectiveness of policies might be helpful. Such policies do not start from zero; on the contrary, there are a lot of lessons to be learned from recent attempts.

This is, in particular, the case for industrial policies implemented in countries like the US and Germany. While these policies fulfill the criteria of reintroducing control, there has been little practical evidence on implementation due to the long-lasting taboo around active industrial policies. There is currently a growing consensus about the need for governments to intervene in specific cases, be it to protect a country against strategic dependencies from another country, or to create infrastructure for renewables. There is now growing evidence that the corresponding socio-economic changes need strong regional ownership and commitment beyond the political and societal frontiers in order to succeed in the long run.

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A huge challenge will be to design an international set of industrial policy standards to avoid the current trend towards highly nationalist policies at the expense of others, e.g. conflictual trade and tariff wars. The ultimate goal should be to develop a cooperative global governance that allows industrial policies on a national or transnational level, for reasons that are commonly seen as legitimate. Having such rules could even be a prerequisite for saving free trade in all other well-defined sectors where markets function to the benefit of the many.

There is ample evidence today that climate policies are highly ineffective when dependent on the economic impact of negative incentives through higher prices on externalities, e.g. carbon. Such policies are repeatedly confronted with popular discontent, especially if cleaner alternatives are not available or too expensive. The recent US attempt to subsidise renewables via the Inflation Reduction Act is a showcase for the potential effectiveness of such positive climate policy. A more modern policy might thus count on a new mix of policies, where carbon pricing only sets in when certain conditions are fulfilled and policies are designed to attract investors and consumers.

Surely, democratic leaders will not succeed without addressing the challenge of migration. Governments will need to take into account where anti-migrant sentiments come from. This means taking people's concerns about the availability of housing or potential labour market competition seriously. Part of the answer then should be to pro-actively invest in regions that are particularly affected by migration, instead of just running behind nationalist right-wing rhetoric.

All these new kinds of policies are far from ready to be implemented. What is needed is a whole new understanding of the role of markets and governments after decades of overly simplifiying things, without risking falling back into old-fashioned state interventions.

A first attempt to implement such a new understanding has been made under US President Joe Biden whose Inflation Reduction Act tried to address the concerns of deprived regions by investing in them. And, it will be crucial to understand why this has had so little electoral impact. The inflation shock around 2022 has definitively played a role. Perhaps such policies need more time to change people's minds. But other factors need to be taken into account. Winning back voters from populism requires more than just good policies. Rather, the electorate must be able to understand how the policies benefit them directly.

History does not repeat itself. But there may be parallels that can help understand where things stand today. After the 19th century's liberal paradigm failed with the first World War, the interwar years have very much been driven by attempts to repair overly harsh and socially costly capitalism – be it through the attempt to create a transnational institution like the League of Nations, or via the introduction of social laws, like the reduction of working hours.

The drama then was that this was not enough to bring distressed societies together again, with the catastrophic consequences this had after the Wall Street crash of 1929 and during the 1930s. A new paradigm then only progressively appeared, starting with the New Deal in the US and during the Second World War leading to the much more regulated post-war paradigm including international institutions like those designed in Bretton Woods.

If there is anything like history repeating itself, the years between the Financial Crisis of 2008 and 2024 have witnessed the introduction and testing of a more moderate capitalism via more regulated financial markets, the return of industrial policies or the strengthening of workers via Bidenomics. It may need a second wave and some lessons learned from these attempts to let a convincing paradigm arise that will allow people to trust in public policies and democracy again.

We should hope that history does not repeat itself too much. It will be even more important to develop what could be the next paradigm. This is a race against time, with populists always being quicker with their seemingly easy and radical answers.

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