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# DEMOCRACY IN DECLINE

Rebuilding its future

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# PHILIP KOTLER

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# DEMOCRACY IN DECLINE

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*Dear Reader, I hope that whatever your nationality or political persuasion, that you read and think about your present political system and consider how it can be run better and serve and satisfy the interests of more people. Pessimism only makes you depressed and give up. I am forever the optimist, because the one thing that optimism does is make you act. —PK*

*In admiration of the four Presidents celebrated at Mount Rushmore—George Washington, Thomas Jefferson, Abraham Lincoln, and Theodore Roosevelt.*

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## ABOUT THE AUTHOR



Philip Kotler is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. His most recent book, *Confronting Capitalism: Real Solutions for a Troubled Economic System* (2015), calls for both strong economic growth and a better sharing of the gains of economic growth. Professor Kotler is the author of over 50 books on markets and marketing. Trained as an economist at the University of Chicago (under

Nobel Laureate, Milton Friedman) and at M.I.T. (under Nobel Laureates, Paul Samuelson and Robert Solow), he has applied his economic knowledge to how markets and marketing works, and was an early developer of modern marketing and the emerging field of behavioral economics. As an expert on how buyers make their buying decisions, he broadened marketing to explain how buyers make their voting decisions on all kinds of issues.



# FOREWORD

**T**hese are challenging times for democracies. Having barely survived the threat of a Greek exit in 2015, the European Union now faces the possibility of a British exit as well as the greatest refugee crisis since the Second World War. On the other side of the Atlantic, the possible impeachment of Brazilian President Dilma Rousseff on embezzlement charges has led to government paralysis even as the economy confronts a dramatic downturn. Further north, drug trafficking and organized crime threaten to undermine government institutions across Central America. And in the United States, where the legislative process is increasingly characterized by gridlock and polarization, public trust in government has dropped to historic lows. According to a recent survey by the Pew Research Center, only 19 percent of Americans say they trust their government always or most of the time, and nearly 75 percent believe most elected officials put their own interests ahead of the country's.<sup>1</sup> These figures are not likely to improve during the 2016 presidential campaign. As the contours of a vicious general election battle come into focus, the Republican Party is facing an internal struggle over its identity, and record amounts of outside spending are pouring in to influence the results of the election.

How should we measure the health of democracies? This is obviously a complicated question, one that can be answered in various ways but can only be credibly addressed through rigorous analysis independent of politics and ideology. Freedom House, a well-regarded non profit organization that promotes democracy across the globe, attempts to answer the question through its annual *Freedom in the World* report. For the 2016 edition, a team of more than 100 analysts and advisers examined a wide range of issues in 195 countries and 15 territories, and then applied a three-tiered rating system to evaluate the status of their respective political rights and civil liberties. Seventy-two countries registered a drop from the previous year, the largest decline since the beginning of a decade-long slump.<sup>2</sup>

With his new book, *Democracy in Decline*, Philip Kotler brings a fresh perspective to the subject at a moment when new insights are sorely needed. Kotler, the 'father of modern marketing' (as he is affectionately known), has done more than

anyone else in his field to revolutionize the theory and practice of marketing. His classic textbook, *Marketing Management*, currently in its fifteenth edition, is essential reading for business students all over the world. By applying rigorous economic analysis and methodology to the discipline, he has elevated what was once an art form (if not an afterthought) into a science – and helped to transform marketing into an indispensable pillar of corporate strategy. One of his core insights is that marketers and consumers are exchanging *values*, not products. The implications of this observation are profound, validated by the fact that today's most successful companies place a higher emphasis on meeting consumers' needs than on maximizing sales. Always attuned to the cultural trends and technological innovations that affect consumer behavior, Kotler has continued to evolve in his thinking over the years. His pioneering work on social marketing, for example, has enabled corporations to embrace social responsibility as a profitable strategy while empowering non profits and public sector professionals to apply corporate marketing strategies as a way to increase social impact.

Most recently, Kotler has turned his eye toward the vulnerabilities in our political and economic systems. In his 2015 book, *Confronting Capitalism*, he explored the key factors undermining economic growth and charted a sustainable path to shared prosperity. Now, with *Democracy in Decline*, he aims to reinvigorate American politics with a set of clear-eyed reforms. Drawing on more than 50 years of research at Northwestern University's Kellogg School of Management, he surveys the American political landscape with the eye of an expert marketing manager and identifies a long-cherished 'product' (democracy) that is no longer satisfying the needs of its 'consumers' (citizens). His diagnoses of the 14 interlocked challenges to U.S. democracy, and his proposals for overcoming each of them, are poised to prompt a robust debate among scholars, practitioners, and engaged citizens. Anyone concerned with the prospects for America's future and democracy around the world would do well to take heed.

Daniel Diermeier, PhD  
Dean, Harris School of Public Policy,  
The University of Chicago

## NOTES

- 1 [www.people-press.org/2015/11/23/beyond-distrust-how-americans-view-their-government/](http://www.people-press.org/2015/11/23/beyond-distrust-how-americans-view-their-government/)
- 2 <https://freedomhouse.org/report/freedom-world/freedom-world-2016>

# INTRODUCTION—CHALLENGES TO DEMOCRACY IN A CHANGING WORLD

'It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way.'

Charles Dickens, *A Tale of Two Cities*





**T**he world is changing at a faster rate than ever. Everything is being impacted by globalization, advances in science and technology, and the rise of the Internet and digitalization. The Old World Order is giving way to a New World Order filled with uncertainties and insecurities on the one hand, and accompanied by oceans of new opportunities and possibilities on the other hand.

There are now seven billion people on the Earth, predicted to move to nine billion by 2050. Five billion people live in poverty. Many people of the world are uprooted, moving from the land of their birth to hopefully safer havens. People continue to fight wars. Terrorists are setting off bombs. Many governments repress popular opinion. The cry for popular democracy is everywhere but it is crushed by despots who insist on maintaining order rather than on improving living conditions.

Yes, people need to be governed to avoid anarchy and chaos. But what makes a good government versus an oppressive one? Monarchies are no longer the modern answer. A one political party system as in China is an answer, but people have to pray that it will be benign. Today's major answer is that good government has a better chance if candidates have the right to run for election and if citizens have the right to choose their leaders. Most people today would prefer democracy to autocracy or plutocracy.

But democracy isn't a simple system. It requires more than just running free elections. It requires citizens who are knowledgeable and who show up to vote

on Election Day. It requires free assembly of citizens to discuss issues and, when needed, organize a peaceful protest. It requires a free press and two or more political parties who can freely advertise and debate their proposals and their promises.

The United States of America represents such a democracy. It was founded by a set of brilliant individuals who chose to fight for independence from Great Britain and form a new Republic 'of the people, by the people, and for the people.' Thomas Jefferson and the Committee of Five stated in the Declaration of Independence:

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are *Life, Liberty and the pursuit of Happiness*.

American democracy over the past 240 years has passed through several stages and transformations with great impacts from such Presidents as George Washington, Thomas Jefferson, Andrew Jackson, Abraham Lincoln, Theodore Roosevelt, Franklin Roosevelt, Ronald Reagan, William Clinton, and Barack Obama.

Today there are a large number of new candidates running for President who hope to shape or reshape the nature of U.S. democracy. Seventeen different candidates chose to run for the Republican Party and three candidates chose to run for the Democratic Party. Jeb Bush declared his intention to run for President back in 2013 and others shortly followed. Given that the election would take place in November 2016, these candidates would be running for over 3½ years for this office. It seems that such a long election period is designed not to learn about the candidates' beliefs and values but to see which have sufficient stamina! Each candidate will dedicate most of his or her time, money and energy for 3½ years to speak to crowds and to raise money.

Among the many candidates, two stand out greatly from the other candidates as 'outsiders.' The first 'outsider' is Donald Trump, who commanded the most attention and who is the most outspoken. He defied 'political correctness' by proposing that all illegal Mexicans be sent home and that the U.S. build a wall to be paid for by Mexico to keep further illegal Mexicans out; that Muslims be banned from entering the country; along with other discriminations that run counter to American beliefs and ideals. Yet every new issue in his 'politics of disgust' seems to get him more votes. He attracts mostly low income and angry groups who feel downtrodden, neglected by established politicians and parties, and who want a fresh voice to represent their grievances. Trump is a rare and

original phenomenon in American politics who has unnerved everyone in the established conservative Republican Party.

The other 'outsider' is Bernie Sanders, an independent for most of his Senate career, aged 74, and running as a Democratic Socialist. Bernie has eschewed getting funds from billionaires and Super PACs (political action committees, officially known as 'independent expenditure-only committees') and has relied on individual gifts now amounting to multi-millions and averaging \$27 a fan. He has developed over 20 carefully crafted liberal proposals along with a cost estimate of each. Among his favorite proposals are free college education, a single payer plan for health coverage, increasing the minimum wage to \$15, a higher tax on income and wealth, getting big money out of politics, combating climate change, combating racial prejudice, raising women's rights and gay rights, lowering prescription drug prices, and reforming Wall Street. Underlying his proposals is the idea that an ideal democracy cares about the education, health, and welfare of all of its citizens. His platform has great appeal to young idealistic people and baby boomers who remember the glorious 1960s when they fought for civil rights, gay rights, and women's rights. The major problem for Sanders is whether as President he would have any chance to pass any of his proposals given the gridlocked Congress.

Both the lower income class and the middle class feel marginalized and disempowered. They have anxieties about their jobs and incomes and changing social values. Some candidates readily spin fear and anger messages to get the lower income class to look somewhere else than at the established politicians. Other candidates spin new solutions that are not very feasible. The media is driven by skillful manipulators who aim to exploit existing anxieties, real and perceived.

Whoever becomes the U.S. President will face a dizzying set of unresolved national issues that Congress has refused to act on: Abortion, campaign finance, climate and pollution, consumer protection, drug wars, gun control, healthcare, immigration, infrastructure, military and defense, national debt, poverty, social security and retirement, student loans, and taxes.

Beyond these issues are broader forces and threats that must be understood and managed carefully:

- The Internet and social media have made the world more connected than ever. People around the world have access to more information, more experts, and more rating systems to guide their personal decisions about what and where to buy and who to vote for. The powerful but failed revolutions in Egypt, Syria, and Libya were made possible by the Internet's ability to connect people. On the negative side, people are becoming more tribal and reading and listening more to their own

- groups and paying less attention to other voices. Everyone is camping in his or her own comfortable bubble of information and not seeing other points of view.
- Advances in science and technology are changing people's views about the nature of the cosmos. We hear more about living in a universe (or multiverses) with billions of stars and planets that is expanding at an accelerating rate, all raising the question of who we are and what life means.
  - More productive work is being done by robots and artificial intelligent apps that threaten whether there will be enough jobs to provide employment for the world's growing population. Many Americans are worried about the future and ready to blame the Washington establishment, or Wall Street, or minority groups, or foreigners.
  - There is increased concern about slower economic growth. China formerly fueled the growth of many nations by its endless need for so much food, minerals, and products from other nations who in turn benefitted from cheaper Chinese products. But China is slowing down and facing major financial problems coming from expanding too fast. Most nations today are encumbered by high debt and without the ability to raise enough tax revenue to maintain their physical, education, and health infrastructure.
  - The world is marked by a growing concentration of wealth where the top 1% may earn or own more than 30, 40 or 50% of that nation's income or wealth. For the U.S., this means that concentrated wealth runs Congress, not the people, and Congress members have no incentive to vote for a better system.
  - The world also has rogue nations that threaten the lives of other people. North Korea keeps building atomic bombs. Iran has only recently agreed to stop building their own atomic bombs. Russia under Putin invaded and annexed Crimea which belonged to Ukraine. An extreme movement of Jihadist Muslims created ISIS (sometimes called ISIL or Daesh) and captured territory in the Middle East where it trains terrorists and suicide bombers and destroys holy treasures of other cultures.

Clearly, the next American President will face an insurmountable number of problems. A Republican President would probably focus on terror and foreign policy. A Democratic President would focus on jobs and the economy. Both would be simplifying the challenges. One can only hope that the next President can build an alliance with other nations who care about freedom and democracy and who will work together to meet these challenges. These problems will continue past the next few Presidents but we hope that the wisdom is there to take the right actions at the right times.

The next U.S. President has to worry about a number of domestic issues that affect the performance of democracy itself. There are not enough informed citizens and there are not enough citizens who vote. We are witnessing efforts to increase the gerrymandering of Congressional districts so that incumbents can

remain in power indefinitely. We are witnessing violations of the Voting Rights Act of 1965 and finding state legislatures requiring more tangible proofs of citizenship that fall hard on poorer citizens. We are seeing a gridlocked Congress with House Representatives ready to shut down government over abortion and gun ownership issues. We see a Supreme Court that decided on a 5 to 4 vote in the *Citizens United v. Federal Electoral Commission (FEC)* case that corporations are people and have the right to spend almost unlimited money backing preferred candidates. We have to worry that elections are growing costlier and that each candidate and elected official has to spend more time in fund raising than in reviewing legislative issues. Big money is electing our politicians and using lobbying to influence their votes. We also need to consider term limits, which were placed on the U.S. President to serve no more than two terms, and possibly should be applied to Congress members and Supreme Court justices. And there are many other issues.

As an economist, I published *Confronting Capitalism: Real Solutions for a Troubled Economic System* in 2015. I identified 14 shortcomings plaguing American Capitalism. It is true that American Capitalism has created great economic wealth. But until the Affordable Care Act was enacted in 2010, 45 million Americans were without health insurance. Today 15% of the American public are living in deep poverty. Many Americans are working for only \$7.45 an hour and require food stamps to have enough to eat. The real wages of most American workers are lower in their real buying power than they were back in 1970. Most college graduates are carrying high college debt, preventing them from buying major products and starting families. We won't mention our decaying infrastructure, our huge and growing federal debt, the Occupy Wall Street movement, and other problems. Many are alarmed about these problems in the belief that many solutions are available for fixing these problems.

In this new book, *Democracy in Decline*, I want to examine how well democracy is serving voters. As a professional economist and marketer, I am used to evaluating products. If we look at democracy as a product, we would ask how well the product is made, how much it is satisfying its consumers, how well it is being sold. Judging from the widespread anger and disappointment expressed by countless citizens during the 2016 elections, democracy is not fully fulfilling the expectations of citizens. They see and hear many candidates promising many different things and taking so much time in broadcast and print media to promote their positions that we hardly hear any other news during this period. There must be a better way to find good candidates, learn their messages and positions, and judge who to vote for. I know when a product is working and its method of selling is working. I believe that there are some

design flaws in the present system that can be corrected. We can design a better performing democratic system.

There was a time when local citizens got together to decide on the issues facing their community. Small towns in Vermont and New Hampshire would run several well-attended citizen meetings a year and decide on community issues by a majority vote on each issue. This was a time when We the People, not We the Corporations, ran the country.

Today there is a Congressional election every two years. Fewer than 60% of eligible voters vote in a presidential election. Over 96% of politicians are likely to stay in office. Politicians desperately need money to run their campaigns. Several of them get their money from billionaires or multi-millionaires. They can't get this money without owing something to their donors. The result: Much legislation is conservative, not only to protect big fortunes but also to enlarge them. We have rapidly moved from being a democracy into an oligarchy or a plutocracy.

My conclusion is that the weakening of democracy is reducing the Capitalist system's ability to produce benefits for the majority of our people. Democracy is increasingly serving the narrow interest of the wealthy.

## **FOURTEEN SHORTCOMINGS OF DEMOCRACY**

- 1 Low voter literacy, turnout, and engagement.
- 2 Shortage of highly qualified and visionary candidates.
- 3 Blind belief in American exceptionalism.
- 4 Growing public antipathy toward government.
- 5 Two-party gridlock preventing needed legislation.
- 6 Growing role of money in politics.
- 7 Gerrymandering empowering incumbents to get re-elected forever.
- 8 Caucuses and primaries leading candidates to adopt more extreme positions.
- 9 Continuous conflict between the President and Congress.
- 10 Continuous conflict between the federal and state governments.
- 11 The Supreme Court's readiness to revise legislative actions.
- 12 The difficulty of passing new amendments.
- 13 The difficulty of developing a sound foreign policy.
- 14 Making government agencies more accountable.

I will examine these 14 challenges to American democracy. Most Americans haven't taken a course in civics or they forgot how the system is supposed to work. I aim to deliver a better understanding of how government works in practice.