

Claremont McKenna College

Disembedded Liberalism: The Global Pressure on Democracy

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## 1. Introduction

The world is at a critical juncture between democracy and autocracy. Only 14% of the world's population lives in liberal democracies, with these democracies mostly concentrated among the world's wealthiest populations in Europe and North America.<sup>1</sup> In 2020 the world witnessed significant democratic backsliding, which has been occurring steadily for the past 5 years.<sup>2</sup> Though democracy can be criticized by some for being "less efficient" or the cause of "internal political strife", one can argue that it is a system that allows for free markets to work at their most efficient level due to protection of property rights and freedom for innovation, and a system that allows for citizens to reach equality, equity and freedom.

The United States has served as the global hegemon since World War II and the subsequent creation of the Bretton Woods institutions.<sup>3</sup> In its leadership it has promoted a model of liberal democracy with a capitalist economic system. During the period of the Cold War, the United States was focused on preventing the Soviet Union from dominating the global arena. Many scholars posit that the United States is entering or has already begun to position itself as an adversary of China.<sup>4</sup> As China's economy grows larger, and its position in international institutions more significant, it poses more of a threat to United States hegemony.<sup>5</sup> The world has not yet entered a stage of bipolarity, between the United States and China necessarily, but there is a struggle between the dominance of democracy versus authoritarianism.<sup>6</sup>

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<sup>1</sup> "V-Dem Report 2021: Global Wave of Autocratization Accelerates." *Democracy Without Borders*, 14 Mar. 2021, <https://www.democracywithoutborders.org/16165/v-dem-report-2021-global-wave-of-autocratization-accelerates/>.

<sup>2</sup> "Democracy under Siege." *Freedom House*, <https://freedomhouse.org/report/freedom-world/2021/democracy-under-siege>. Accessed 2 Sept. 2021.

<sup>3</sup> Kagan, Robert. *A Superpower, Like It or Not*. June 2021. [www.foreignaffairs.com](http://www.foreignaffairs.com), <https://www.foreignaffairs.com/articles/united-states/2021-02-16/superpower-it-or-not>.

<sup>4</sup> "Preparing the United States for the Superpower Marathon with China." *Brookings*, 27 Apr. 2020, <https://www.brookings.edu/research/preparing-the-united-states-for-the-superpower-marathon-with-china/>.

<sup>5</sup> *ibid*

<sup>6</sup> *ibid*

The authoritarianism which is gaining momentum globally often can be mistaken for a democracy due to its inclusion of elections, or it can be labeled as an electoral autocracy or competitive authoritarianism.<sup>7</sup> Unlike the Communist Chinese Party which does not hold elections, many of the non-democratic regimes that exist today, such as Putin's Russia or Orban's Hungary, are elected to power. These leaders suppress civil liberties and manipulate the citizenry through xenophobia and nationalism and become populist centers of powers.<sup>8</sup> Populists are able to rise to power because of a widespread distrust of the current "system" or government in place.<sup>9</sup> This system can be understood as the socioeconomic political order. The current international economic order uses a neoclassical understanding of the free market and has implemented policies based on neoliberal ideas of economics. This exists in both democratic and non-democratic nations. This specific free-market system has enabled both democratic and non-democratic regimes to thrive and has also allowed for populist leaders to rise to power.<sup>10</sup> This paper will explore how the current international economic system, based on free-market capitalism, has affected existing and transitioning democracies. In the current global order, it is critical to understand how to best support a democracy. Authoritarian governments are not only inefficient and often corrupt but limit the well-being of their citizens in a multitude of ways. Global capitalism and free trade have been implemented to bring prosperity, equality, and economic opportunity to the world citizenry. However, neoliberal policies have created instability within the financial markets and persistent inequalities causing distrust between the

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<sup>7</sup> Tlemcani, Rachid. "Electoral Authoritarianism." *Carnegie Endowment for International Peace*, <https://carnegieendowment.org/2007/05/29/electoral-authoritarianism-pub-19176>. Accessed 2 Sept. 2021.

<sup>8</sup> Kingsley, Patrick. "How a Liberal Dissident Became a Far-Right Hero, in Hungary and Beyond." *The New York Times*, 7 Apr. 2018. *NYTimes.com*, <https://www.nytimes.com/2018/04/06/world/europe/viktor-orban-hungary-politics.html>

<sup>9</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*. Oxford University Press, 2018.

<sup>10</sup> *ibid*

people and government, which allows democracies to be vulnerable to autocratization through populism. In this paper, I will explore how the prevailing system supports and undermines democracy.

This paper will utilize the case studies of two countries, the United States and India to understand how the international economic order and its implications for the existing domestic economic conditions has bolstered and at times hurt democracy. The United States is the world's hegemon and one of the most infamous and important examples of democracy. India, which emerged as a democracy following British Colonial Rule is the world's most populous democracy and has an emerging economy.<sup>11</sup> Both nations help to discuss the most pressing issues within the reckoning of a free-market regime; the effect of globalization and trade, the use of xenophobia and nationalism to bolster a populist, the difficulties of distributive spending in a large heterogeneous nation, and the swift but discrete crackdown on civil liberties. The overall aim of this paper is to explore an economic system which will not only support economic prosperity and growth, but also strengthen democratic regimes. The beginning of the paper will overview the shifting popular economic paradigms following World War II and leading into the current period, and the emergence of the modern economic system. The following section of the paper will explore the case studies of India and the United States.

## 2. Shifting Economic Paradigms Following World War II

Since the industrial revolution in the 1850s, and the rise of laissez-faire capitalism, free markets have emerged as a dominant economic system.<sup>12</sup> This exists in a multitude of forms including

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<sup>11</sup> Sadanand Dhume. September/October 2021. *How Democratic Is the World's Largest Democracy?* Aug. 2021. [www.foreignaffairs.com](https://www.foreignaffairs.com), <https://www.foreignaffairs.com/reviews/review-essay/2021-08-24/how-democratic-worlds-largest-democracy>.

<sup>12</sup> Piketty, Thomas. *Capital in the Twenty-First Century*. United Kingdom, Harvard University Press, 2014.

democratic socialism to state-sponsored capitalism, but the fundamental ideas of international trade, private property, and the invisible hand within a free-market framework have dominated precedence for almost two centuries.<sup>13</sup> In the study of regimes, it's critical to examine the economic system in place. The economic system within a nation has an inherent effect on its political system. Politicians can rise to power due a temporary rise in income and can cement their grip based on the pocketbooks of their constituents.<sup>14</sup> Conversely, populists, autocrats and dictators can manipulate voters based on recessions, runaway inflation, and a loss of industry.<sup>15</sup> Regardless of the extent of the laissez-faire nature of a government, the state and the economy are mixed, whether through the rule of a bureaucratically appointed central bank, or through a state-run stock exchange. To understand the government or the social makeup of a society, one must also understand the economic forces in tow. The economic system of free markets has shaped society for the last 200 years.<sup>16</sup>

The international economic order built after World War II was created to avoid the conditions that allowed for the rise of fascism.<sup>17</sup> Within advanced industrialized nations, before the Great Depression wan era of prosperity, industrialization and the reign of laissez-faire capitalism and free markets. On one hand, the self-regulating market led to growth among industrialized nations and a rebuilding of parts of Europe following World War I.<sup>18</sup> On the other

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<sup>13</sup> *ibid*

<sup>14</sup> Akhmedov, A., and E. Zhuravskaya. "Opportunistic Political Cycles: Test in a Young Democracy Setting." *The Quarterly Journal of Economics*, vol. 119, no. 4, Nov. 2004, pp. 1301–38. *DOI.org (Crossref)*, <https://doi.org/10.1162/0033553042476206>.

<sup>15</sup> Amico, Laura. "Do Democracy and Capitalism Really Need Each Other?" *Harvard Business Review*, Mar. 2020. *hbr.org*, <https://hbr.org/2020/03/do-democracy-and-capitalism-really-need-each-other>

<sup>16</sup> Ruggie, John Gerard. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization*, vol. 36, no. 2, 1982, pp. 379–415.

<sup>17</sup> *ibid*

<sup>18</sup> *ibid*

hand, the economic policy of this time led to extreme instability and inequality.<sup>19</sup> Before the Great Depression, the U.S. suffered from high income inequality with the top .01 percent of the nation holding 25% of the wealth.<sup>20</sup> The Great Depression in the U.S. not only triggered the failure of thousands of banks domestically, but also the failure of banks across Europe, demonstrating the instability of the market.<sup>21</sup> The fallout from the Great Depression exemplifies the dangers of the self-regulating economy. Across the pond in Europe, Germany, was already suffering from hyperinflation, and was further harmed by the deterioration of world trade.<sup>22</sup> Most of the middle class in Germany had lost their real incomes due to hyperinflation. The failure of the global economy stemming from the Great Depression was a deafening blow.<sup>23</sup>

This economic instability shattered the implicit contract between the state and the people. The Nationalist Socialist party led by Adolf Hitler used the economic devastation of the German people to propagate fascist ideology, driven by intolerance and anti-Semitism.<sup>24</sup> The expansion of voting in the early 20th century allowed for the voice of mass discontent of the lower and middle class to be more powerful.<sup>25</sup> The fascist populism in Germany erupted due to the economic conditions. Nazi Germany is one of, if not, the most extreme example of the dangers of hyperinflation facilitated by the self-regulating market.

Following World War II, Karl Polanyi explains the self-regulating market does not actually exist, and there must be limitations set on the market. The doctrine of a market reaching perfect

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<sup>19</sup> Samuelson, Robert J. "Revisiting the Great Depression." *The Wilson Quarterly* (1976-), vol. 36, no. 1, 2012, pp. 36–43.

<sup>20</sup> Saez, Emmanuel, and Zucman Gabriel. "Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data." *National Bureau of Economic Research*, Oct. 2014.

<sup>21</sup> *ibid*

<sup>22</sup> Roselli, Alessandro. "Hyperinflation, Depression, and the Rise of Adolf Hitler." *Economic Affairs*, vol. 41, no. 2, June 2021, pp. 300–08. *DOI.org (Crossref)*, <https://doi.org/10.1111/ecaf.12466>

<sup>23</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

<sup>24</sup> Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*. United Kingdom: Crown, 2018.

<sup>25</sup> Crain, Caleb. "Is Capitalism a Threat to Democracy?" *The New Yorker*, May 2018. [www.newyorker.com](http://www.newyorker.com), <https://www.newyorker.com/magazine/2018/05/14/is-capitalism-a-threat-to-democracy>.

efficiency does not exist outside of theoretical economics, because equal access to information cannot happen.<sup>26</sup> Though markets do help to reach efficiency and growth, a completely unregulated market can cause a rise in inequality and inequity.

The destruction of World War II forced leaders to re-examine the international economic order. The post war era can be characterized by a compromise between capitalism and socialism; an amendment to the laissez-faire and free market fundamentalism that prevailed in the late 19th and early 20th century.<sup>27</sup> This compromise can be termed “embedded liberalism”. The liberal democratic order requires some sort of social contract between the government and people. The laissez-faire capitalism, and un-governed international market which existed in the pre-war period was recognized as a recipe for fascism, populism, and an intolerance of democracy.<sup>28</sup> To mitigate the dangers of this rise, Keynesian economic ideas became prominent. Governments also sought to create international institutions, to regulate international trade, exchange, and debt. These reforms also included the rise of a higher income tax, more redistributive spending, and a focus on government regulation. This was matched by an era of prosperity and economic growth. Real median wages of the working class increased, and inequality decreased.<sup>29</sup>

This international economic built on the ideas of embedded liberalism did not last, and neoliberal ideology emerged in the 1980s. This era was focused on returning to classical economics and a focus on the self-regulating market, with as little government intervention as possible.<sup>30</sup> This philosophy proved to be incredibly influential and powerful; international

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<sup>26</sup> Polanyi, Karl. *The great transformation the political and economic origins of our time*. United Kingdom: Beacon Press, 2001.

<sup>27</sup> Ruggie, John Gerard. “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order.”

<sup>28</sup> *ibid*

<sup>29</sup> Crain, Caleb. “Is Capitalism a Threat to Democracy?”

<sup>30</sup> Abdelal, Rawi., and Ruggie G., John. *The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism - Chapter - Faculty & Research - Harvard Business School*. <https://www.hbs.edu/faculty/Pages/item.aspx?num=36533>. Accessed 3 Sept. 2021.

institutions and financial institutions often based investment and economic relations on the level of economic “freedom” within nations, especially in young democracies.<sup>31</sup>

This focus on free-market capitalism has not waned, and neoliberalism continues to be one of the most important ideologies within economic policy. This paper will explore how the proliferation of neoliberal ideology stretching into modern economic policy has put pressure on democracy. The power of markets is not inherently harmful to democracy. However, the effect of self-regulating markets with little to no redistributive spending, management of inflation or capital controls can lead to persistent inequality and instability that is dangerous for democracy.<sup>32</sup>

WWII and the fascist populism that ensued was only possible given the expansion of voting rights to the working class, and the frustration that the government was not serving them. Poor working conditions, low wages, and a narrowing path to wealth led to fascist and populist leaders to use xenophobia and racism to rise to power. In the modern international order, a rise of populism that exploits economic insecurity, and uses xenophobia and racism, is growing. Following the coronavirus pandemic, inequality in nations with free market systems has reached unbridled levels, and populist leaders have gained a foothold in the most important and “strong” democracies.<sup>33</sup> This paper will argue that capitalism and democracy can coexist and are necessary for each other to thrive. When these systems are paired together, in order to mitigate the rise of populism, the ideas of liberalism must be embedded within the economic system to facilitate the sustainability of democracy. The case studies of India and the United States will

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<sup>31</sup> Orenstein, Mitchell A., Appel, Hilary. *From Triumph to Crisis: Neoliberal Economic Reform in Postcommunist Countries*. United Kingdom: Cambridge University Press, 2018.

<sup>32</sup> Piketty, Thomas. *Capital in the Twenty-First Century*.

<sup>33</sup> “Democracy under Siege.” *Freedom House*



analyze how capitalism in both nations led to conditions that have allowed for the rise of a populist leader.

### 3. Case Study of India

India is often hailed as an exception to classic democratic theory and therefore a shining example of how democracy can thrive in a geographically large and diverse nation. The state is diverse ethnically, linguistically, and religiously.<sup>34</sup> Its democratic project is even more ambitious as it is the most populous democratic state. In India's last election, 65% of its 900 million eligible voters voted.<sup>35</sup> These factors make India's potential slide into autocracy of the utmost importance: if a democratic stronghold and exception such as India can fall to a populist leader, then what nations are immune? Furthermore, India has a critical position in the Indo-Pacific region as a democratic counterweight to China.<sup>36</sup> On the world stage, India and the United States' strategic relationship helps to exert democratic influence contrary to China and other autocratic powers in the region. This section of the paper will explore the conditions that have allowed a populist to rise to power in India, focusing on the free-market policies that reinforced persistent inequality.

India was under colonial rule for 200 years, from 1757 to 1947.<sup>37</sup> In the period following independence, India maintained a socialist economy with tight capital controls, fixed prices, and state-owned industries.<sup>38</sup> Until economic liberalization of 1992, the economy pattered along at a

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<sup>34</sup> Sadanand Dhume. September/October 2021. *How Democratic Is the World's Largest Democracy?*

<sup>35</sup> *ibid*

<sup>36</sup> Madan, Tanvi. "Democracy and the US-India Relationship." *Brookings*, 22 Jan. 2021, <https://www.brookings.edu/articles/democracy-and-the-us-india-relationship/>.

<sup>37</sup> Blank, Jonah. "India's Democracy Is the World's Problem." *The Atlantic*, 10 June 2021, <https://www.theatlantic.com/international/archive/2021/06/g7-india-narendra-modi-democracy/619144/>.

<sup>38</sup> Anklesaria Aiyar, Swaminathan S. "Twenty-Five Years of Indian Economic Reform." *Cato.org*, 16 Oct. 2016, [www.cato.org/policy-analysis/twenty-five-years-indian-economic-reform](http://www.cato.org/policy-analysis/twenty-five-years-indian-economic-reform).

relatively slow growth rate of 3.5% (besides a brief period in the 80s). Economic liberalization of the Indian economy and openness to foreign trade resulted in a global economic growth and success story.<sup>39</sup> Not only was India a populous, diverse, and democratic nation, but it had a growth rate nearing 8% in the 1990s and reaching into 2009.<sup>40</sup> Among many reasons, reforms did not begin until 1991 because colonial rule in India created antagonism and dislike toward trade openness and integration in the global economy. Foreign investment was seen by some as a new form of imperialism.<sup>41</sup> Prior to 1991, India had little trade, at only 0.45% of GDP in 1985, and reaching 49% of GDP between 2011-2015 (a proportion only second to the U.S. and China).<sup>42</sup> During the reforms of the 1990s, nationalized industries and banks were privatized, income-tax, and wealth tax were substantially lowered, and barriers to entries for entrepreneurs were taken down. The economic reforms of the 1990s were part of a wave of neoliberal ideas and the Washington Consensus fanning economic thought of this time. India was a recipient of foreign investment and participated in global trade. Economic liberalization allowed for many to rise out of poverty and enabled India's economy to grow at a strong and consistent rate.<sup>43</sup> Today, India is home to several important and prominent companies and boasts 140 billionaires.<sup>44</sup> To most, the economic liberalization of India is an unquestioned success. A country once ruled by an oppressive foreign power and hampered by pervasive socialist policies and government control, has become a large and strong market economy.

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<sup>39</sup> *ibid*

<sup>40</sup> Blank, Jonah. "India's Democracy Is the World's Problem."

<sup>41</sup> Anklesaria Aiyar, Swaminathan S. "Twenty-Five Years of Indian Economic Reform."

<sup>42</sup> *ibid*

<sup>43</sup> *ibid*

<sup>44</sup> Dolan, Kerry A. "Forbes' 35th Annual World's Billionaires List: Facts And Figures 2021." *Forbes*, <https://www.forbes.com/sites/kerryadolan/2021/04/06/forbes-35th-annual-worlds-billionaires-list-facts-and-figures-2021/>. Accessed 3 Sept. 2021.

While there is truth within this narrative, the consequences of economic liberalization and the free reign of market forces has been perilous for the democratic system. India has a parliamentary system, and like many other democracies has two dominant political parties, the Indian National Congress, and the Bhartiya Janata Party. The post-colonial period leading up to 2014 saw a domination of the Congress party.<sup>45</sup> Congress ruled over a period of economic growth following reforms, from the late 1990s to 2009.<sup>46</sup> Although the party was previously an advocate of socialist economic policy, it presided over economic liberalization. Although reforms facilitated the rapid growth of India's economy, and spurred foreign investment, like any swift development it also resulted in inequality, exploitation of the working class, and the cementing of ties between business moguls and politicians.<sup>47</sup> India's integration into the global market meant the economy suffered from the 2009 global economic crisis.<sup>48</sup> The global financial crisis exposed the vulnerabilities of the Indian economic growth model. From 2011 to 2014, India experienced a host of economic problems. The economic liberalization benefitted many, but left behind many Indian citizens too, with some economists describing the policies as "pro-business" rather than "pro-growth".<sup>49</sup> In some cases, rural lands and forests were devastated by large businesses.<sup>50</sup> These policies harmed farmers and agricultural workers, which continue to make up more than a significant portion of India's workforce.<sup>51</sup> The government also failed to provide critical social services, such as quality and widespread public education, healthcare, and

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<sup>45</sup> "Indian National Congress | History, Ideology, & Facts." *Encyclopedia Britannica*, <https://www.britannica.com/topic/Indian-National-Congress>. Accessed 3 Sept. 2021

<sup>46</sup> Gargan, Edward A. "India Stumbles in Rush to a Free Market Economy." *The New York Times*, 15 Aug. 1992. *NYTimes.com*, <https://www.nytimes.com/1992/08/15/world/india-stumbles-in-rush-to-a-free-market-economy.html>.

<sup>47</sup> R. Nagaraj, "Understanding India's Economic Slowdown." *The India Forum*, 20 Jan. 2020, <https://www.theindiaforum.in/article/understanding-india-s-economic-slowdown.21>.

<sup>48</sup> R. Nagaraj, "Understanding India's Economic Slowdown."

<sup>49</sup> *ibid*

<sup>50</sup> *ibid*

<sup>51</sup> *Census of India: Economic Activity*. [https://censusindia.gov.in/census\\_and\\_you/economic\\_activity.aspx](https://censusindia.gov.in/census_and_you/economic_activity.aspx). Accessed 3 Sept. 2021.

infrastructure.<sup>52</sup> Many poor Indian citizens continue to suffer from a lack of quality access to healthcare. Despite rising GDP, childhood malnutrition is rising, and calorie intake is falling.<sup>53</sup> In conjunction with a lack of critical social services, and a destruction of some parts of the agricultural and informal economy, corruption, fueled through close relationships between business leaders and politicians helped to create crony capitalism. The Congress Party suffered from charges of corruption leading up to 2014, often connected to ultra-wealthy entrepreneurs obtaining business permits more quickly and easily than the ordinary Indian citizen.<sup>54</sup> The neo-liberal reforms in 1991 had reverberating affects. The swift economic growth in India was coupled with a sharp increase in economic inequality; the benefits of global integration and liberalization were not felt equally among Indian citizens. In 2021, the top 10% of the Indian population holds 77% of the national wealth.<sup>55</sup> Most Indians do not have access to healthcare, and essential healthcare costs push 63 million into poverty every year.<sup>56</sup> While some inequality is expected after a transition from a socialist system to a free-market economy that is globally integrated, the level of inequality in India extends beyond the normal growing pains of a transition period. If operating properly, within a free-market economy, inequality should only be a result of the differences in productivity between workers. India's regarding persistent inequality coupled with a lack of economic and social mobility is a recipe for the rise of a populist leader. Citizens in an environment of joblessness and economic despair, who face worse material conditions than those of their parents, are susceptible to the rhetoric of populist

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<sup>52</sup> Anklesaria Aiyar, Swaminathan S. "Twenty-Five Years of Indian Economic Reform." *Cato.org*

<sup>53</sup> *ibid*

<sup>54</sup> R. Nagaraj "Understanding India's Economic Slowdown."

<sup>55</sup> "India: Extreme Inequality in Numbers." *Oxfam International*, 19 Oct. 2019, <https://www.oxfam.org/en/india-extreme-inequality-numbers>.

<sup>56</sup> *ibid*

candidates.<sup>57</sup> India's economic situation preceding 2014 of high economic inequality, a blow to the informal sector, and a recession in some part triggered by crony capitalism allowed for the rise of Narendra Modi as the leader of the Bhartiya Janata Party.

The Indian state has suffered from democratic backsliding and is now classified by Freedom House as only "partly free" and an "electoral autocracy" by V-Dem (a Swedish Think Tank).<sup>58</sup> The Bhartiya Janata Party (BJP) won a majority in the parliament in 2014, and elected Narendra Modi as prime minister. Modi, famous in Indian politics for his time as governor of the Gujarat state, has catapulted India into a form of populist autocracy.<sup>59</sup> The neoliberal reforms implemented in India in 1991 exacerbated inequality and further divisions within Indian society.<sup>60</sup> While they helped to create economic growth and increase India's position of power within the world, the reforms focused on bolstering the gains of the wealthiest and did not strengthen the social contract between the government and the people. Modi and the BJP's ascent to power is in large part due to the poor economic conditions under the Congress Party. Modi described himself as the "pro-business" candidate, with "minimum government and maximum governance", and ran on a campaign that focused on growing the economy and hampering down on corruption.<sup>61</sup> In reality, the economy has been undergoing a contraction since Modi rose to power. GDP has been growing more slowly, and India has suffered severely from the Covid crisis in terms of economic growth.<sup>62</sup>

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<sup>57</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era.*

<sup>58</sup> Anna Lührmann, Seraphine F. Maerz, Sandra Grahn, Nazifa Alizada, Lisa Gastaldi, Sebastian Hellmeier, Garry Hindle and Staffan I. Lindberg. 2020. *Autocratization Surges – Resistance Grows.* Democracy Report 2020. Varieties of Democracy Institute (V-Dem).

<sup>59</sup> Filkins, Dexter. "Blood and Soil in Narendra Modi's India." *The New Yorker*, Dec. 2019. [www.newyorker.com](http://www.newyorker.com), <https://www.newyorker.com/magazine/2019/12/09/blood-and-soil-in-narendra-modis-india>.

<sup>60</sup> Piketty Thomas, et al. "Growing Cleavages in India? Evidence from the Changing Structure of Electorates, 1962-2014." *World Inequality Database*, Mar. 2019, <https://wid.world/document/growing-cleavages-in-india-evidence-from-the-changing-structure-of-party-electorates-1962-2014-wid-world-working-paper-2019-05/>.

<sup>61</sup> R. Nagaraj "Understanding India's Economic Slowdown."

<sup>62</sup> *ibid*

Narendra Modi is a powerful, popular, and charismatic leader, who can be characterized as a populist due to his anti-elitist, ethno-nationalist, authoritarian rhetoric and policies. Modi is at the forefront of India's slide into electoral autocracy. Modi receives legitimacy because he is voted to power and is a popular leader. However, it is notable that most autocrats in modern history have been elected to power.<sup>63</sup> While the popular imagination sees a coup d'etat, autocrats can exist with a democratic framework and operate within the pre-existing institutions of democracy.<sup>64</sup> The same argument can follow for the situation occurring in India. To define Modi as a populist, this paper uses the framework used by the economist Barry Eichengreen. The first characteristic to recognize is anti-elitist. Most populists are firstly defined by their disdain for the establishment. They harp on the corruption of the ruling class and describe a system where the leading financiers, businessmen, educators, and politicians are tied together. Modi and the BJP in general highlighted the corruption of the ruling Congress party and criticized the establishment of the prior ruling party in his campaign to become prime minister.<sup>65</sup> As prime minister, these actions have gone farther. Modi has jailed key opposition leaders of the Congress party.<sup>66</sup> He also has consistently maligned journalists and the free press, and discouraged reporting that criticized his leadership.<sup>67</sup> The BJP and Modi have also worked to break down academic institutions and scholars that scrutinize his leadership and censor the teachings not only in publicly funded universities, but also in private ones as well.<sup>68</sup> Modi, in this vein helps to break

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<sup>63</sup> Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

<sup>64</sup> *ibid*

<sup>65</sup> Vaishnav, Milan, and Milan Vaishnav. "India's Democracy Is More Delicate Than It Seems." *Carnegie Endowment for International Peace*, <https://carnegieendowment.org/2018/05/21/india-s-democracy-is-more-delicate-than-it-seems-pub-76419>. Accessed 4 Sept. 2021.

<sup>66</sup> "Democracy under Siege." *Freedom House*,

<sup>67</sup> *ibid*

<sup>68</sup> Bhanu Mehta, Pratap. *Democracy Tested: Democratic Backsliding in India, With Pratap Bhanu Mehta*. Council on Foreign Relations. 21 Mar. 2021.

down democracy in multiple important aspects. In his jailing of opposition leaders, and denial of legitimate political opponents, Modi undermines the pluralistic political system. Democracy requires the existence of diverse political thought and representation that can capture the voices of all citizens. The domination of one party and the delegitimizing of the other are dangerous to the democratic process. Anti-elitism harps on the failure of the previous establishment and the institutions within the government which bolstered democracy. Modi and his party's vision of the Congress party and the pre-existing institutions as corrupt, weakens the existing democratic system. Alongside the alienation of the Congress party, the erosion of a free press and academia hampers the free flow of information and ideas. In order for voters to make informed choices and participate properly in a democracy, the free press and academic must be able to operate to their full capacity. The free press is critical in reducing corruption, communicating policy ideas from politicians to voters, and for creating a transparent political system. If a democracy is to function, voters must be fully aware of both the ruling and opposition parties' policy positions, and this can only happen if the press is able to report freely. Under Modi's stewardship, academic institutions have also suffered, further dismantling the space for free thought and ideas. Academia serves as a critical mechanism to allow for policy discussions and debate. The subversion of civil society through the unprecedented jailing of journalists, lawyers, and academics harms the relationship between citizens and the state. A strong civil society is key to a sustainable democracy. Modi's criticism of elites and populist tendencies has dangerous consequences: the delegitimizing of institutions, civil society, and opposition parties facilitate the breakdown of the foundations of democracy.

Modi also fits the mold of a populist leader in his ethno-nationalistic rhetoric and policy, which undermines the idea of a democracy as a nation which protects rights for all peoples. India

was established as a secular state following colonialism. It offered an example of a state diverse in ethnicity, language, and religion. The Indian National Congress Party, and the Gandhi dynasty played a prominent role in the establishment of India as a secular state.<sup>69</sup> The Bhartiya Janata Party is a political offshoot Rashtriya Swayamsevak Sangh (RSS), a group focused on right-wing Hindu nationalism, that has promoted extremism, violence and is home to the person who assassinated Gandhi.<sup>70</sup> Modi was a member of this group from a young age, and has campaigned off of Hindutva, a philosophy that has a goal of establishing India as a Hindu state.<sup>71</sup> India has a large Hindu majority at 80%, but also has a significant Muslim population, and small populations of Christians, Buddhists, Jainists and Sikhs.<sup>72</sup> From the Indian Partition in 1947, there has been antagonism and tension between Muslim and Hindu citizens in India, but Modi has increased Hindu nationalist policy and rhetoric, and normalized its place within the political space.<sup>73</sup> As governor of the Gujarat, Modi presided over extremely violent and deathly riots against Muslims.<sup>74</sup> Modi himself is a Hindu nationalist, and in this philosophy seeks to establish India as a Hindu homeland.<sup>75</sup> This idea is becoming increasingly popular within India with a reduction on cow meat being sold and being banned in some states (cows being sacred to Hindus), a focus on ancient Hindu wellness products and skincare, and the erasure of Muslim history by some universities and municipalities.<sup>76</sup> This has also devolved into violence, with over 80 Muslims

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<sup>69</sup> Piketty Thomas, et al. "Growing Cleavages in India? Evidence from the Changing Structure of Electorates, 1962-2014."

<sup>70</sup> Blank, Jonah. "India's Democracy Is the World's Problem."

<sup>71</sup> Filkins, Dexter. "Blood and Soil in Narendra Modi's India."

<sup>72</sup> *ibid*

<sup>73</sup> Frayer, Lauren. "Hindu Nationalism, The Growing Trend In India." *Morning Edition*, NPR, 22 Apr. 2019. *NPR*, <https://www.npr.org/2019/04/22/715875298/hindu-nationalism-the-growing-trend-in-india>.

<sup>74</sup> Filkins, Dexter. "Blood and Soil in Narendra Modi's India."

<sup>75</sup> Viswanath, Sunita. "Modi's Religious Nationalism Hurts India's Hindus, Too." *Foreign Policy*, 26 May 2021, <https://foreignpolicy.com/2021/05/26/modi-hindu-nationalism-hindutva-hurts-hindus-too/>.

<sup>76</sup> Frayer, Lauren. "Hindu Nationalism, The Growing Trend In India."



killed in riots in 2020 alone.<sup>77</sup> Since Modi has been prime minister, from 2014 to 2017, communal violence has risen twenty-eight percent.<sup>78</sup> Muslims in India are facing discrimination in the workplace, and are subject to hate crimes, violence, and prejudice. Modi used economic insecurity to garner support for Hindu nationalism. He rose to power on the promise to revive the Indian economy from the slump it faced due to the global recession, and the persistent inequality most Indians endured. Despite these promises, India has faced the highest unemployment rate in over 45 years preceding his 2019 election, and Modi used Hindu nationalist rhetoric to galvanize his base and garner votes.<sup>79</sup> In policy, Modi's ethnonationalism can be witnessed through the new Citizenship Amendment Act (CAA), which allows immigration for any religious group facing discrimination or persecution in neighboring nations, except for Muslims.<sup>80</sup> This legislation builds on the idea of India as a Hindu nation, as the legislation favors the immigration of all other groups except for Muslims. Modi has also begun to lay the foundations for a Hindu temple, on the grounds of an ancient Mosque destroyed in 1992 by RSS militants in a riot.<sup>81</sup> This laying of foundation legitimizes acts of destroying important Muslim holy sites and consecrates the idea of an ethno-national state.

Modi's majoritarian and anti-elitist actions and rhetoric are authoritarian in nature and promote the idea of single party ideology and dominance. The BJP rose to power due to the deep division economic divisions of society which arose from the rapid liberalization of India's economy in the 1990s. The economic opening of India was critical to its growth and for millions

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<sup>77</sup> Griswold, Eliza. "The Violent Toll of Hindu Nationalism in India." *The New Yorker*, Mar. 2019. [www.newyorker.com, https://www.newyorker.com/news/on-religion/the-violent-toll-of-hindu-nationalism-in-india](https://www.newyorker.com/news/on-religion/the-violent-toll-of-hindu-nationalism-in-india).

<sup>78</sup> *ibid*

<sup>79</sup> R. Nagaraj, "Understanding India's Economic Slowdown."

<sup>80</sup> "Democracy under Siege." *Freedom House*

<sup>81</sup> Frayer, Lauren, and Sushmita Pathak. "At Site Of Razed Mosque, India's Modi Lays Foundation For Controversial Hindu Temple." *NPR*, 5 Aug. 2020. *NPR*, <https://www.npr.org/2020/08/05/899247507/at-site-of-razed-mosque-indias-modi-lays-foundation-for-controversial-hindu-temp>.

to exit poverty. It allowed for new business to flourish, and for India to take a place in global trade. This paper argues that free-market capitalism and global trade are not only important but also a vital piece to a successful democracy. But this free market open economic system must include policies that safeguard against conditions that rupture the social contact between the government and the people.

The rise of populism in India and the accompanying democratic backsliding reveal the dangers of a certain type of free-market capitalism for democracy. The idea of India as a bastion of democracy, and an example of how a democracy can be diverse in a variety of ways, can still be realistic. While the rising authoritarianism in India is based in ethnonationalism, this type of divide based in identity is not unique to India. The poor economic conditions created by neoliberalism allow for conflict to find a home. When one group feels left behind in the increase of wealth, populist leaders are easily able to find one group to scapegoat this issue. Secondly, using ethnicity, or any type of identity as a call to nationalism, can help to cement the ideals of an authoritarian leader. The new Hindu nationalism in India is not endemic to the democratic culture within India, nor it is an irreversible crisis. The pluralistic, secular democracy that previously existed within India is an attainable vision for the future.

Many democratic theorists emphasize the idea that the people within a democracy can elect a ruler that does not uphold democratic values. In the Great Transformation, Polanyi explains that when the working class, or a large group of people are not able to feel the benefits of economic prosperity, it breaks the contract between the government and the people.<sup>82</sup> Within India, the rising economic success of the nation, must not only be felt by those at the top, but by the entirety of the population. While a level of inequality is common within any democracy, it

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<sup>82</sup> Polanyi, Karl. The great transformation the political and economic origins of our time.

must be kept at a level where large groups do not feel wholly disenfranchised by the current system in place.

#### 4. Case Study of the United States

The United States is one of the most important examples of the democratic and capitalist experiment in history. While the United States serves as a demonstration of the success of the democratic and capitalist system together, the inequalities created by the economic regime have caused democratic backsliding and dangerous flirtations with authoritarianism. Furthermore, it is important to acknowledge the intersecting inequalities that exist within the United States that have been detrimental to the development of the democratic system. This section of the paper will focus on how the neoliberal movement and the breaking of the post-war compromise has led to a rise of populism within the United States.

The economic system that existed in the United States following World War II and the Great Depression was built on the ideas of avoiding the atrocities and political radicalization which occurred during the War and the Great Depression.<sup>83</sup> The Bretton Woods institutions, and the other international financial and legal institutions, were built to create a system that would safeguard the most fundamental human rights. Besides the important international reforms taking place, the United States modified its economic system in place. The free-market, laissez-faire capitalism of the pre-war period caused an international collapse of the financial and economic system, and was accompanied by the rise of fascism in multiple nations. The United States adopted a higher income tax, and a generally more progressive tax system coupled with a focus

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<sup>83</sup> Stiglitz, Joseph E. "8. Inequality and Economic Growth." *The Political Quarterly*, vol. 86, Dec. 2015, pp. 134–55. DOI.org (Crossref), <https://doi.org/10.1111/1467-923X.12237>.

on public spending on infrastructure and education.<sup>84</sup> The post war period was prosperous. Later on, the rise of neoliberalism in the 1980s focused on reducing corporate and income taxes, social spending, and balancing the budget.<sup>85</sup> The ideas of embedded liberalism and the social contract between the government and people were broken. These ideas of neoliberalism have persisted throughout the United State spread to create an international standard. The ideas proliferated by economists like Milton Friedman which emphasized the dangers of social spending became international standards.<sup>86</sup> The race to meet the “Washington Consensus” affected the foreign direct investment of lower income nations.<sup>87</sup> Within the United States this philosophy resulted in the ideas that “a rising tide lifts all boats”.<sup>88</sup> Trickle-down economics, which in theory was meant to lead to economic growth and higher standards of living for all of society, has instead led to excessive inequality. The Gini coefficient of the United States has been steadily rising since the 1970s.<sup>89</sup> The number of billionaires and millionaires has grown vaster. While the richest of the United States have accumulated more wealth and higher incomes, the median income for the working class (adjusted for inflation) has been stagnant for the 1970s.<sup>90</sup> The United States spends the least on social programs in comparison to its wealthy peers of the Organization of Economic Development Nations.<sup>91</sup> The government also redistributes less than any other rich countries. The 2008 financial crisis is a key example of the most harmful aspects of the current economic

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<sup>84</sup> Jacobs, Lawrence R., and Joe Soss. “The Politics of Inequality in America: A Political Economy Framework.” *Annual Review of Political Science*, vol. 13, no. 1, May 2010, pp. 341–64. *DOI.org (Crossref)*, <https://doi.org/10.1146/annurev.polisci.041608.140134>.

<sup>85</sup> “A Short History of Neoliberalism.” *Transnational Institute*, 24 Mar. 1999, <https://www.tni.org/my/node/11938>.

<sup>86</sup> Ruggie, John Gerard. “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order.”

<sup>87</sup> Orenstein, Mitchell A., Appel, Hilary. *From Triumph to Crisis: Neoliberal Economic Reform in Postcommunist Countries*.

<sup>88</sup> Stiglitz, Joseph E. “8. Inequality and Economic Growth.”

<sup>89</sup> *ibid*

<sup>90</sup> *ibid*

<sup>91</sup> *20 Facts About U.S. Inequality That Everyone Should Know - Stanford Center on Poverty and Inequality*. <https://inequality.stanford.edu/publications/20-facts-about-us-inequality-everyone-should-know>. Accessed 4 Sept. 2021.

mechanism in place, and a catalyst in the current democratic backsliding. It is critical to understand the unique nature of the American capitalist system. The United States market-system in its focus on neoliberal reforms and nature, since the 1970s has allowed for the creation of a sort of plutocracy. Social mobility and wage inequality has reached levels parallel to the Great Depression, and levels unprecedented in a nation as wealthy and developed.<sup>92</sup> For example, today's CEO make 185 times more than their average worker, where in comparison, in 1965 they made 24 times more than their average worker.<sup>93</sup> On a similar note, as the banking industry grew, the consolidation of wealth in the financial system grew as well. The top 1 percent of Americans own 84 percent of the financial accounts holding stock's value.<sup>94</sup> In discussing household income, the average income of the top 1 percent grew 226 percent from 1979 to 2016, while in stark contradiction, the income for the middle-income distribution (the majority of the population) only grew 47 percent during those same years.<sup>95</sup> Similarly, those with significant incomes also hold significant wealth, and are able to pass this wealth down to their children.<sup>96</sup> The bottom half of the United States population, approximately sixty-three million families owned 1 percent of the total wealth in 2016.<sup>97</sup> In conjunctions to these stark demonstrations of wealth and income inequality, the ability for social mobility is low, ranking one of the lowest of wealthy countries according to many studies.<sup>98</sup> This rising tide of inequality has grown following

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<sup>92</sup> Stiglitz, Joseph E. "8. Inequality and Economic Growth."

<sup>93</sup> *ibid*

<sup>94</sup> Gebeloff, Robert. "Who Owns Stocks? Explaining the Rise in Inequality During the Pandemic." *The New York Times*, 26 Jan. 2021. *NYTimes.com*, <https://www.nytimes.com/2021/01/26/upshot/stocks-pandemic-inequality.html>.

<sup>95</sup> Siripurapu, Anshu. "The U.S. Inequality Debate." *Council on Foreign Relations*, 15 July 2020, <https://www.cfr.org/backgrounder/us-inequality-debate>.

<sup>96</sup> Piketty, Thomas. *Capital in the Twenty-First Century*.

<sup>97</sup> Wealth Inequality in America: Key Facts & Figures | St. Louis Fed. <https://www.stlouisfed.org/open-vault/2019/august/wealth-inequality-in-america-facts-figures>. Accessed 9 Sept. 2021.

<sup>98</sup> Siripurapu, Anshu. "The U.S. Inequality Debate." *Council on Foreign Relations*.

market-reforms that ignore the most fundamental parts of equity within capitalism and equality in opportunity.

There are multiple long term economic forces which have led to a degradation of embedded liberalism within the United States, including a lack of safeguarding the banking system and a prosperity gap stemming from a change in global integration. The neoliberal revolution of the 1980s and 1990s allowed for increasingly deregulated financial markets.<sup>99</sup> The banking system of the United States became more centralized with a few extremely large banks dominating the industry and using increasingly risky tactics to increase their profits. The low interest rates of Federal Reserve Chairman Alan Greenspan, and the lack of checks on the market allowed for predatory lending, the growth of the shadow banking industry, and investments in unstable illiquid assets.<sup>100</sup> The policy of deregulation precipitated increasingly risky behaviors of investment and commercial banks and the growth of the shadowing banking system.<sup>101</sup> These policies, many economists posit, led to the growth of a housing bubble and the financial crisis of 2008. This crisis spread internationally, affecting the global economy, and had devastating effect in the United States. The crisis itself can illustrate the deep flaws of the neoliberal economic agenda and the dangers of an absence of government regulation of the financial industry. The fallout of the banking crisis demonstrates a government that was intent on serving the most powerful and wealthy in the United States, while at many times ignoring the plight of the most vulnerable. In 2009, as the largest investment banks were being rescued by the federal government to stabilize the global financial market, bankers received seven figure bonuses.<sup>102</sup>

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<sup>99</sup> Eichengreen, Barry. *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*.

<sup>100</sup> *ibid*

<sup>101</sup> *ibid*

<sup>102</sup> Story, Louise, and Eric Dash. "Bankers Reaped Lavish Bonuses During Bailouts." *The New York Times*, 30 July 2009. *NYTimes.com*, <https://www.nytimes.com/2009/07/31/business/31pay.html>.

The fallout of the financial market not only caused a rise in unemployment and home loss but poked a significant hole in the idea of the deregulated international financial market.

The deregulation of the financial market was a failure of the government to properly embed the ideas of liberalism within its economic system. The banking crisis of 2009 delegitimized the free market because it did not reflect the social values of society.<sup>103</sup>

In conjunction with the financial crisis, the technological shift of the 1990s, and global integration has caused economic insecurity and disenfranchisement for a large sector of the population in the absence of meaningful government intervention to aid this shift. As technology allowed skilled workers to be more productive, unskilled workers faced stagnant wages.<sup>104</sup> The real wages of the working class have barely risen since 1973, although the real prices of many items have risen. This is due to a focus on employers to compensate workers based on educational attainment because of a shift in technology.<sup>105</sup> Furthermore, lower skilled workers based in many industrial sectors faced a loss of employment due to integration in the global market.<sup>106</sup> This paper argues that fundamental principles of the capitalist system are important and positive. Participation in global trade for instance, allows for country specialization, the combining of intellectual resources, an expansion of growth in certain domestic industries, among other positive factors. However, this participation in international trade must be paired with meaningful government policy to ensure that in the short-term citizens are equipped with the tools to endure the shift in the markets due to trade. The United States' rapid partnership and interdependence with China, and descent into globalization has brought many positive economic

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<sup>103</sup> Abdelal, Rawi., and Ruggie G., John. *The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism*

<sup>104</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era.*

<sup>105</sup> *ibid*

<sup>106</sup> *ibid*

benefits. But on the other hand, studies have found that imports from China have had substantial and persistent distributional effects on wages and adjustment costs. In local markets industries that were exposed to Chinese competition had depressed wages and employment for more than 10 years.<sup>107</sup> Workers in industries that competed with Chinese imports not only had short term income losses, but experienced long-term losses in employment and consequences from the international competition.<sup>108</sup>

The economic situation in the United States after the global financial recession was the perfect moment for the rise of a populist leader with an authoritarian tilt.<sup>109</sup> Inequality has been persistent and growing since the 1970s. The gap between the rich and the poor is deeply entrenched. The financial crisis of 2008 helped to delegitimize the banking industry and further depress the economic livelihood of the lower and middle class. The change in technology and global integration of many U.S. industries devastated many communities, and strongly affected the livelihoods of low-skill workers. The neoliberal economic system exacerbated the inequalities of the free-market economic system. While global integration and a shift in technology facilitated economic growth, an absence of meaningful government policy resulted in a large segment of the population failing to reap the benefits of this growth. A lack of meaningful government intervention increased inequality and failed to redistribute income to its citizens in a meaningful and sustaining way.

Like in India, the economic insecurity of many citizens in the United States, and the use of xenophobic, ethnonationalist rhetoric allowed for the rise of a populist leader. Populist leaders

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<sup>107</sup> Autor, David H., et al. *The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade*. Working Paper, 21906, National Bureau of Economic Research, Jan. 2016. *National Bureau of Economic Research*, <https://doi.org/10.3386/w21906>.

<sup>108</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

<sup>109</sup> Ruggie, John Gerard, 1997. "Globalization and the embedded liberalism compromise: The end of an era?," MPIfG Working Paper 97/1, Max Planck Institute for the Study of Societies.



can be characterized as anti-elitist, nativist and authoritarian.<sup>110</sup> It is important to note that although both Modi and Trump are populist leaders that have allowed and sometimes used authoritarian tactics to gain power, not all authoritarians are populist in nature. The poor economic conditions created by an absence of policy which ensures certain levels of equality and provision of public goods can lead to a leader that is authoritarian in nature, and often this leader uses populism and the dislike of both elites and minorities to gain power.<sup>111</sup> However, fascist leaders can rise to power under these circumstances as well. Donald Trump can be classified as a populist; he presided over a time of democratic backsliding in the United States.

In political scientist Juan Linz's book, *The Breakdown of Democratic Regimes*, he identifies the behavior of politicians and creates a test to identify if the behavior of a politician is autocratic. Linz posits that citizens should be wary that a politician could lead to a breakdown of a democratic regime if a politician casts doubt on the democratic system, denies the legitimacy of the opposition, encourages violence by their supporters, and demonstrates support or willingness to breakdown or disregard civil liberties.<sup>112</sup>

Throughout his presidency and campaign, Donald Trump met the criteria; the first being the rejection the democratic rules and norms. Trump often discredited the election in 2016, in which he won the electoral college but not the majority of votes. He stated that between one and three million votes were cast by undocumented immigrants or were fraudulent votes, although multiple studies found this to be false.<sup>113</sup> In the 2020 election in which he lost both the majority

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<sup>110</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

<sup>111</sup> *ibid*

<sup>112</sup> Wynia, Gary W. "The Breakdown of Democratic Regimes. Juan J. Linz, Alfred Stepan *Vol. 1: Crisis, Breakdown, and Reequilibration. Vol. 2: Europe. Vol. 3: Latin America. Vol. 4: Chile.*" *The Journal of Politics*, vol. 42, no. 3, Aug. 1980, pp. 891–93. *DOI.org (Crossref)*, <https://doi.org/10.2307/2130571>.

<sup>113</sup> Weiser, Wendy, and Keith Douglas. "The Actually True and Provable Facts About Non-Citizen Voting." *Time*, 13 Feb. 2017, <https://time.com/4669899/illegal-citizens-voting-trump/>.

and the electoral college, Donald Trump rejected the result of the election and claimed that he lost due to massive voter fraud.<sup>114</sup> Furthermore, former President Trump discouraged voting accessibility, and criticized actions like mail-in voting or voter assistance during the 2020 election.<sup>115</sup> After the election results were released in 2020, he also denied the legitimacy and the results of this elections. This denial had such far-flung results that multiple members of the House rejected to ratify the election.<sup>116</sup> The rejection of the peaceful transfer of power undermines one of the most critical aspects of a democracy. When leaders cast significant doubt on the electoral system, they deny the legitimacy of the democratic institutions that exist and could be on a path to denying citizens the right to vote. Another aspect of Trump's denial of the democratic system was his undermining of institutions of the government, that are meant to be free of political persuasion such as the Federal Reserve, the Central Intelligence Agency, and the Judiciary. This can be seen through his calls to "pack the courts" to vote in his political favor and his firing or intimidating of those within executive agencies and other institutions. In terms of the second criteria of an authoritarian leader, Trump often denied the legitimacy of his opponents, as did many of his party members. Throughout his campaign he propagated a theory that falsely states former President Obama is not a U.S. citizen and often called former Secretary of State Hillary Clinton a criminal.<sup>117</sup> At some points this became so serious that his supporters would

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<sup>114</sup> Gerhart, Ann. "Election Results under Attack: Here Are the Facts." *Washington Post*, <https://www.washingtonpost.com/elections/interactive/2020/election-integrity/>. Accessed 4 Sept. 2021.

<sup>115</sup> Cassidy, John. "Donald Trump Is Attacking American Democracy at Its Core." *The New Yorker*, Sept. 2020. [www.newyorker.com](http://www.newyorker.com), <https://www.newyorker.com/news/our-columnists/donald-trump-is-attacking-american-democracy-at-its-core>.

<sup>116</sup> Ingraham, Christopher. "Analysis | The United States Is Backsliding into Autocracy under Trump, Scholars Warn." *Washington Post*, 18 Sept. 2020. [www.washingtonpost.com](http://www.washingtonpost.com), <https://www.washingtonpost.com/business/2020/09/18/united-states-is-backsliding-into-autocracy-under-trump-scholars-warn/>.

<sup>117</sup> Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

yell “lock her up.”<sup>118</sup> The third notice that Trump is an autocratic leader is his encouragement of violence. This began during his campaign when he would often tolerate and encourage his supporters to assault protesters at his rally.<sup>119</sup> The most infamous encourage of violence during Trump’s presidency was his encouragement of protesters to violently storm the capital on January 6<sup>th</sup>.<sup>120</sup> Trump’s dangerous rhetoric leading up to this event demonstrates his disregard for democratic institutions and a peaceful democratic transfer. In terms of Trump’s ability to curtail civil liberties and limit the power of journalism, President Trump often criticized the media. Since President Nixon, Trump has the most substantial track-record in delegitimizing opposition press.<sup>121</sup> Free journalism is critically important to keep maintaining the quality of democracy. It allows for free flow of information to voters and holds politicians accountable to a higher standard of governance. Unlike Modi, Trump did not openly jail any journalists during his presidency but fostered an open dislike of critical journalism and threatened to sue press organizations such as the New York Times and the Washington Post, that would criticize his presidency.<sup>122</sup> These behaviors are consistent with an authoritarian leader and facilitate the degradation of democratic institutions.

Trump can be classified as a populist due to his anti-elitist and nativist rhetoric. His campaign and political message were centered around the idea that immigrants into the United States had lowered the wages of the middle and lower class, increased crime, and broken down the Anglo-Saxon identity of the nation.<sup>123</sup> Trump used nativist rhetoric and installed policies that

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<sup>118</sup> Kilgore, Ed. “The End of Mueller’s Probe Renewed the Right’s Hillary Clinton Obsession.” *Intelligencer*, 26 Mar. 2019, <https://nymag.com/intelligencer/2019/03/gops-hillary-clinton-obsession-renewed-after-mueller-probe.html>.

<sup>119</sup> Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

<sup>120</sup> Naylor, Brian. “Read Trump’s Jan. 6 Speech, A Key Part Of Impeachment Trial.” *NPR*, 10 Feb. 2021. *NPR*, <https://www.npr.org/2021/02/10/966396848/read-trumps-jan-6-speech-a-key-part-of-impeachment-trial>.

<sup>121</sup> Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

<sup>122</sup> *ibid*

<sup>123</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*

opposed immigration. These policies included the construction of the border wall, and the separating of children from families along the border with Mexico.<sup>124</sup> Trump often cited the poor economic conditions in the nation on the increase in immigration, primarily from South and Central America. Some of this rhetoric included calling immigrants from Mexico “rapists” or failing to condemn the language of hate groups.<sup>125</sup> Similar to Modi’s presidency, Trump is not an independent actor in this dangerous and divisive language. Like the BJP, during Trump’s presidency many Republican leaders echoed his ethno-nationalistic sentiments.<sup>126</sup> This has manifested in a rise of hate crime.<sup>127</sup> Studies demonstrated that in countries where Trump won by larger margins there was a distinct rise in hate crimes.<sup>128</sup> Those who voted for Trump were more likely to express nativist views and support the ideology of a return to an Anglo-Saxon state.<sup>129</sup> Like other populist leaders, Trump used ethnonationalism to bolster the importance of his presidency and his neglect for the democratic system. The ideas promoted through this thinking are anti-pluralistic in nature and disregard the vision of democracy as a place which safeguards the equality of citizens.<sup>130</sup> The racist rhetoric used often in Trump’s presidency encourages violence and the curtailing of civil liberty for some groups. It contributes to divisiveness, hurts social cohesion, and in turn can lead to democratic backsliding. While some populists do not

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<sup>124</sup> “Family Separation under the Trump Administration – a Timeline.” *Southern Poverty Law Center*, <https://www.splcenter.org/news/2020/06/17/family-separation-under-trump-administration-timeline>. Accessed 6 Sept. 2021.

<sup>125</sup> Manza, Jeff, and Ned Crowley. “Ethnonationalism and the Rise of Donald Trump.” *Contexts*, vol. 17, no. 1, Feb. 2018, pp. 28–33. *SAGE Journals*, <https://doi.org/10.1177/1536504218766548>.

<sup>126</sup> Edsall, Thomas B. “Opinion | How Racist Is Trump’s Republican Party?” *The New York Times*, 18 Mar. 2020. *NYTimes.com*, <https://www.nytimes.com/2020/03/18/opinion/trump-republicans-racism.html>.

<sup>127</sup> Gelfand, Vanessa Williamson and Isabella. “Trump and Racism: What Do the Data Say?” *Brookings*, 14 Aug. 2019, <https://www.brookings.edu/blog/fixgov/2019/08/14/trump-and-racism-what-do-the-data-say>

<sup>128</sup> Edwards, Griffin Sims, and Stephen Rushin. *The Effect of President Trump’s Election on Hate Crimes*. SSRN Scholarly Paper, ID 3102652, Social Science Research Network, 14 Jan. 2018. *papers.ssrn.com*, <https://papers.ssrn.com/abstract=3102652>.

<sup>129</sup> Schaffner, Brian F., et al. “Understanding White Polarization in the 2016 Vote for President: The Sobering Role of Racism and Sexism.” *Political Science Quarterly*, vol. 133, no. 1, 2018, pp. 9–34. *Wiley Online Library*, <https://doi.org/10.1002/polq.12737>.

<sup>130</sup> Jacobs, Lawrence R., and Joe Soss. “The Politics of Inequality in America: A Political Economy Framework.”

focus on xenophobic or racist rhetoric, Trump utilized the idea of a “white” America to galvanize economically distraught voters around his ideas, and to promote illiberal policies. Much of Trump’s nativist rhetoric was centered around the idea that immigrants (documented and undocumented) were “taking” jobs and artificially lowering wages.<sup>131</sup> The choice of Trump’s rhetoric demonstrates the importance of redistributive economic policy. Immigration, global integration, and an adoption of new technology are all positive but must be met with economic policy that allows for all (or most) citizens to be satisfied by the current governing system. If such a large portion of citizens feel disenfranchised by a displacement in employment due to factors outside of their control, like global integration, they are more vulnerable to xenophobic rhetoric propagated by populist politicians.<sup>132</sup> This can allow for dangerous democratic backsliding.

The final marker of Trump’s populist bent is his description of the democratic system of governance as politically corrupt and the institutions as captured by evil interests focused on maintaining their power. Anti-elitism is a key marker of populism and can easily lead to democratic degradation. In Trump’s campaign he stated, “(the establishment) has trillions of dollars at stake... For those who control levers of power in Washington and for the global special interests, they partner with these people that don’t have your good in mind... The only people brave enough to vote out this corrupt establishment, is you, the American people.”<sup>133</sup> Trump campaigned on the idea that the political system in Washington was corrupt and captured by elites. Totalitarian ideologies will claim to know the “ultimate truth”, and any other view of

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<sup>131</sup> *ibid*

<sup>132</sup> Goldstein, Judith, and Robert Gulotty. “The Globalisation Crisis: Populism and the Rise of an Anti-Trade Coalition.” *European Review of International Studies*, vol. 6, no. 3, 2019, pp. 57–83.

<sup>133</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

society or politics is wrong and harmful.<sup>134</sup> In contrast, in a system of democracy, the philosophy is that no single politician has a monopoly on the truth, and the diverse and variant views of society require democratic institutions to maintain stability. Trump's campaign and presidency grew in popularity based on the idea that he was the bully of corruption and would "drain the swamp" of elitism which existed in Washington.<sup>135</sup> Trump created a narrative that he was the extender of truth between the common people and the political system and solely able to destroy corruption, disregarding and delegitimizing the opinions and standings of other politicians.<sup>136</sup> This extends into his anti-free press policy. The free press is critical in democracy to disseminate information from politicians to the people. Besides Trump's threats to sue many journalists and news organizations, his general disregard for freedom of the press and framing of critical journalism as "fake news" is threatening for journalism that provides accountability.<sup>137</sup> The denigration of the "establishment" press is a dangerous slippery slope towards a curtailing of civil liberties which allows for free debate and press coverage. Trump propagated the narrative that the U.S. is an inherently corrupt political system built up by a media which only reports fake news. This helps to cement the authoritarian idea that is the holder of the ultimate truth. Anti-elitism in the name of redistribution can be critically important to a democracy, and this paper argues that the creation of a plutocracy, or any sort of elite class that does hold significant power, is dangerous. In the years preceding Trump's election, as noted previously, inequality had reached unprecedented level. But recognizing inequality and implementing redistributive economic reforms is different than demonizing the democratic system as corrupt due elite

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<sup>134</sup> Soros, George. "The Capitalist Threat." *The Atlantic*, 1 Feb. 1997, <https://www.theatlantic.com/magazine/archive/1997/02/the-capitalist-threat/376773/>.

<sup>135</sup> Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

<sup>136</sup> Chotiner, Isaac. "Redefining Populism." *The New Yorker*, July 2021. [www.newyorker.com](http://www.newyorker.com), <https://www.newyorker.com/news/q-and-a/redefining-populism>.

<sup>137</sup> Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

control. Furthermore, Trump's actions in office often supported the elite class with tax cuts to the wealthy and to large corporations, he did not focus on redistributive efforts.<sup>138</sup> Trump's administration was staunchly anti-elitist in rhetoric, however not in action. He used this anti-elitism to denigrate the free press and the long-standing democratic institutions.

The economic conditions precipitated by the neoliberalism and free market ideas of the 1980s and 1990s culminated in a financial crisis and persistent inequality in the United States. The financial crisis of 2008 destroyed the social legitimacy of the financial markets and broke down the stability of the banking system.<sup>139</sup> The fallout of the crisis created animosity between the people and those responsible for the financial crisis. In conjunction, the laissez-faire approach to the United States' global integration does not align with the social values of the United States society of equality of opportunity and equity. The economic benefits of global integration and participation in international trade are clear, but have also caused economic devastation and loss in some areas of the United States. The government's absence in rectifying or implementing effective redistribution policies demonstrates the downfalls of a non-interventionist economic system. The lack of meaningful regulation on the financial system and policies regarding inequality spurred due to global integration have caused economic conditions perfect for the rise of an authoritarian populist leader. Moreover, the economic system of the United States has not reflected the democratic values within society of social mobility and equality of opportunity, creating a system that perpetuates and increases levels of inequality. From this economic system, populist leaders like Donald Trump are born into power. Trump's

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<sup>138</sup> Hendricks, Galen. "6 Ways the Trump Administration Is Rigging an Already Unfair Tax Code." *Center for American Progress*, 28 Oct. 2020, <https://www.americanprogress.org/issues/economy/news/2020/10/28/492473/6-ways-trump-administration-rigging-already-unfair-tax-code/>.

<sup>139</sup> Abdelal, Rawi., and Ruggie G., John. *The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism*

presidency demonstrates the danger of the current economic regime. The dominant ideology of minimum regulation and government intervention in the economy can allow for populist leaders to rise to power. Trump utilized economic depression to galvanize his voters around ethno-nationalistic ideas and policies. In his campaign and presidency, Trump used anti-elitist rhetoric to deny the legitimacy of the existing democratic institutions, and racism to breakdown the pluralistic nature of democracy. Trump's administration was recognized by many scholars of political science as dangerous to United States democracy. The degradation of United States democracy is not only a crisis for nation, but the state of democracy globally, and the reigning philosophy of liberalism.

## 5. Conclusion

The United States as a beacon of democracy is not only important to the self-interest of the U.S. to retain its place in power as the global hegemon and curry the benefits that come with that position. It also is important to demonstrate the legitimacy and the success of a democratic system. The world is in a position where autocratic powers such as Russia and China are steadily gaining more political, economic, and military influence. The system of authoritarianism capitalism showcased in China demonstrates an alternative system to the ideas of liberal democracy paired and capitalism in the West. Nations like China and Singapore help to export the idea that when capitalism is paired with an autocratic government, the economy can grow at a rapid pace. In order to continue to promote the ideas of liberal democracy, which in at its core recognize the importance of the freedom and equality of people, the United States must work on creating an economic system that can sustain democracy. Similarly, India, as the most populous democracy and an example of an ethnically, linguistically, and religiously diverse democracy, is



key to the narrative that capitalism and democracy can exist sustainably together. Free markets, global trade and integration, and capitalist aspects of an economy are demonstrated to promote significant economic growth, innovation, and increasing levels of prosperity. However, the global economic system has returned to a mode of policy and thinking that existed prior to World War II which led to the rise of fascism. The post-war economic compromise that embedded the liberal ideas of society within the economic system was substantial. It helped to create policies which mitigated inequality, improved equality of opportunity, promoted sustainable economic growth, and in general legitimized the markets by tying them to values inherent to the social fabric of democracy. In the current standoff between autocracy and democracy, with an unprecedented number of nations experiencing democratic backsliding in 2020, it is of the utmost importance to create an economic system which will facilitate democracy and capitalism to coexist.

The ideas explained in Polanyi's Great Transformation of 1945 continue to be relevant today. If capitalism is to exist within the United States and India and supported by international institutions as the best economic system, it must be matched with policies that will create economic conditions conducive to a democracy. Persistent inequality and the economic disenfranchisement of large portions of the population allow for populist leaders with authoritative actions to take hold of democracies and destroy the legitimacy of the institutions that exist. Populists like Modi and Trump use economic devastation and racism in order to rise to power. Once in power, their anti-elitist and nationalistic rhetoric help to breakdown democracy. To restore the legitimacy of democracy as a political system that can support free markets and political stability, ideas surrounding the economic system must return to the post-war economic compromise. For markets to support political stability they must enjoy social legitimacy, and this

cannot happen in a system that allows for stratifying inequality or economic disenfranchisement. In embedding the liberal ideas of democracy into the economic system, democracy will be more sustaining. This has far-reaching implications in the battle between autocracy and democracy on the global stage.