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Claremont McKenna College

Disembedded Liberalism: The Global Pressure on Democracy

submitted to
Professor Hilary Appel

by
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for
Senior Thesis
Fall 2021 - Spring 2022
April 25, 2022

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Acknowledgments

First and foremost, I would like to thank Professor Appel for being my advisor. I appreciate your patience throughout this process. Since I started to work on this project last May, I have changed my topic, discussed new case studies, and for a few weeks, I was interested in doing a regression. I appreciate your intellectual guidance, thoughtful revisions, and kindness throughout this process. I have enjoyed working on my thesis immensely, and I am incredibly grateful to have had you as an advisor. A great deal of this thesis has its foundations in my knowledge of International Political Economy. Thank you for introducing me to this merger between economics and international relations and for being such an incredible mentor. Thank you for shaping me into the writer and thinker I am today.

Secondly, I'd like to thank all the other international relations and economics professors who have guided my intellectual journey at Claremont McKenna. Professor Helland and Professor Shields, thank you for a wonderful first semester that cemented my interest in government and economics. Professor Shields, thank you for sparking my interest in the populist in the United States. My time in Iowa gave me invaluable insight and shaped much of the thinking in my thesis. I would also like to thank Professor Taw and Professor Pei. I grew as a writer and thinker in both of your classes. Professor Taw, thank you for pushing me to write more analytically and clearly. Professor Pei, thank you for teaching me so much foundational knowledge in democratic and autocratic regime theory. In general, to all of my professors, I am grateful for the diligent feedback and willingness to discuss my intellectual ideas. I could not have written this thesis without all of you.

Thirdly, I'd like to thank my family. I am so lucky to have a Mom who not only worked at the White House (for Reagan, nonetheless!) but also for the Federal Reserve. Mom, thank you for sparking my interest in economics at a young age and fostering my curiosity in this field. I am grateful for your feedback, ideas, and mentoring. I hope to follow in your footsteps and have my own time at the Fed. To my Dad and sister, thank you for always being there for me, and for discussing my thesis with me. To Joyce and Papa, thank you for listening to me talk about this thesis, even if you found it boring. To my entire family, your intelligence, academic drive, and work ethic have inspired me countless times.

Last, but not least, I'd like to thank my friends at Claremont McKenna. To Hailey, Carley, Teslin, Rachel P, Rachel S, Maddie, Saskia, Chloe, Jess, Annika, and Annie- you are all the most supportive, intelligent, and kind friends out there. I am so grateful to have had you all in my corner. You all inspire me, and I am so lucky to be your academic peer. Thank you for being the best friends in the world. Also, thank you to my thesis buddy, Kaito. Now that thesis is done, let's celebrate!

Abstract

The international political order is at a crossroads with divergent paths. Liberal democracy is once again threatened on the international stage. What's more troubling is that the most stable and influential democracies, the United States, those in Europe and India, seem to be vulnerable to the autocratic wave sweeping through the world. This thesis completes a critical analysis to understand the root causes of the recent disruption to democracy the world has observed. Focusing on three established, diverse, and populous democracies, this thesis investigates the economic conditions at play that made each nation vulnerable to populism. Neoliberal economic policies implemented in the United States, India, and the United Kingdom in the 1980s contributed to prosperity and growth in each nation. The economic conditions of neoliberalism caused each of these nations to be susceptible to the rise of populist leaders with autocratic tendencies. Integration in the global economy and financial deregulation in each nation had consequential side effects that left a significant part of the population economically disenfranchised. This thesis argues that this group's economic anger fueled the populist movement. Populism is incompatible with the liberal democracies of each nation. To affirm the strength of these democracies, the international economic order must re-examine the post-war compromise of embedded liberalism. To prevent future democratic backsliding, and to diminish the effects of the current threat to democracy, economic policies must be put into place that reflect the social values of society.

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.¹ In 2020 the world witnessed significant democratic backsliding, which has been occurring steadily for the past 5 years.² 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 the protection of property rights and the freedom to innovate. Democracy is a system that allows 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.³ 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 has begun to position itself as an adversary of China.⁴ As China's economy grows larger, and its

¹ “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/>.

² “Democracy under Siege.” *Freedom House*, 2021, <https://freedomhouse.org/report/freedom-world/2021/democracy-under-siege>.

³ Kagan, Robert. *A Superpower, Like It or Not*. *Foreign Affairs*, June 2021, <https://www.foreignaffairs.com/articles/united-states/2021-02-16/superpower-it-or-not>.

⁴ “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/>.

position in international institutions more significant, it poses more of a threat to the United States' global leadership.⁵ 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.⁶ Furthermore, the global competition between democracy and autocracy is increasing in ferocity, as Russia carries out its invasion of Ukraine with more vigor. Within this context, it's critical to understand the tools needed to maintain a stable democracy.

The authoritarianism which is gaining momentum globally can often be mistaken for democracy due to its inclusion of elections, but in truth, it should be labeled as an electoral autocracy or competitive authoritarianism.⁷ Unlike the Communist Chinese Party which does not hold elections, many of the non-democratic regimes that exist today, such as Maduro's Venezuela or Orban's Hungary, are elected to power. Sometimes, these leaders suppress civil liberties and manipulate the citizenry through xenophobia. These states can become nationalist-populist centers of power.⁸ Populists can rise to power because of a widespread distrust of the current "system" or government in place.⁹ This system can be labeled as the international economic 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 order exists in both

⁵ *ibid*

⁶ *ibid*

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

⁸ 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>

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

democratic and non-democratic nations. This specific free-market system has enabled both democratic and non-democratic regimes to thrive but has also allowed populist leaders to rise to power.¹⁰

This thesis will explore how the current international economic system, based on free-market capitalism, has affected three established 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. This has caused distrust between the people and government, allowing democracies to be vulnerable to autocracy through populism. In this thesis, I will explore how the prevailing system both supports and undermines democracy.

This thesis will utilize the case studies of three countries, India, the United States, and the United Kingdom. These case studies will be used to understand the international economic order and how it has both strengthened and hurt democracy. The United States is the world's hegemon and one of the most famous 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 increasingly prominent role on the world stage.¹¹ The United Kingdom which formerly served as the world's hegemon has a storied

¹⁰ *ibid*

¹¹ Sadanand Dhume. "How Democratic Is the World's Largest Democracy?" *Foreign Affairs*, August 2021, <https://www.foreignaffairs.com/reviews/review-essay/2021-08-24/how-democratic-worlds-largest-democracy>.

history of democracy and was a leader in the neoliberal movement. It serves as a critical case in understanding the current populist movement. These three cases help to shed light on the most pressing issues within the reckoning of a free-market regime; the deregulation of the financial market, the effect of globalization and trade, and the increase in persistent inequality.

The overall aim of this thesis is to understand how the implementation of neoclassical economics through the framework of neoliberalism, both supported economic prosperity and growth, but also in some cases damaged democratic regimes. The beginning of this thesis will review the shifting popular economic paradigms following World War II until the current period, and the emergence of the modern economic system. The following section of the thesis will explore the case studies of India, the United States, and the United Kingdom.

Shifting Economic Paradigms Following World War II

With the industrial revolution in the 1850s and the rise of laissez-faire capitalism, free markets have emerged as the dominant economic system.¹² Markets exist in many different economic systems including democratic socialism and state-sponsored capitalism, but the fundamental ideas of international trade, private property, and the invisible hand within a free-market framework have dominated segments of Western

¹² Piketty, Thomas. *Capital in the Twenty-First Century*. (United Kingdom, Harvard University Press, 2014).

economic thought and policy for almost two centuries.¹³ Following the Cold War, the power of free markets triumphed over the ideas of a planned economy.¹⁴

In the study of regimes, it is critical to also 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 to a temporary rise in income and can cement their grip based on the pocketbooks of their constituents.¹⁵ Conversely, populists, autocrats, and dictators can manipulate voters based on recessions, runaway inflation, and a loss of industry.¹⁶ 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 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.¹⁷

The international economic order built after World War II was created to avoid the conditions that allowed for the rise of fascism.¹⁸ Within advanced industrialized nations, before the Great Depression was an 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 the rebuilding of parts of Europe following

¹³ *ibid*

¹⁴ George, Susan. "A Short History of Neoliberalism." 24 Mar. 1999, Transnational Institute, <https://www.tni.org/my/node/11938>.

¹⁵ 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): 1301–1338. <https://doi.org/10.1162/0033553042476206>.

¹⁶ Amico, Laura. "Do Democracy and Capitalism Really Need Each Other?" *Harvard Business Review*, Mar. 2020, <https://hbr.org/2020/03/do-democracy-and-capitalism-really-need-each-other>.

¹⁷ Ruggie, John Gerard. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization*, vol. 36, no. 2, (1982): 379–415.

¹⁸ *ibid*

World War I.¹⁹ On the other hand, the economic policy of this time led to extreme instability and inequality.²⁰ 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.²¹

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.²² 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.²³ 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.²⁴

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.²⁵ The expansion of voting in the early 20th century allowed for the voice

¹⁹ *ibid*

²⁰ Samuelson, Robert J. "Revisiting the Great Depression." *The Wilson Quarterly* (1976-), vol. 36, no. 1, 2012, pp. 36–43.

²¹ Saez, Emmanuel, and Zucman Gabriel. "Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data," *National Bureau of Economic Research*, Working Paper 20625, (October 2014) doi103386/w20625

²² *ibid*

²³ Roselli, Alessandro. "Hyperinflation, Depression, and the Rise of Adolf Hitler," *Economic Affairs*, vol. 41, no. 2, (June 2021): 300–08. <https://doi.org/10.1111/ecaf.12466>

²⁴ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

²⁵ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*. (United Kingdom: Crown, 2018).

of mass discontent of the lower and middle class to be more powerful.²⁶ The fascist populism in Germany erupted in part due to the economic conditions. Nazi Germany is one of, if not, the most extreme example of the dangers of hyperinflation arising under the self-regulating market.

Following World War II, Karl Polanyi wrote that the self-regulating market does not truly exist, and therefore there must be limitations set on the market. The doctrine of a self-regulating market does not exist outside of theoretical economics, because equal access to information cannot happen.²⁷ Though markets can act efficiently, a completely unregulated market can be extremely volatile.

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 centuries.²⁸ This compromise has been termed “embedded liberalism”.²⁹ The liberal democratic order requires some sort of social contract between the government and the 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 intolerance of democracy.³⁰ To mitigate the dangers of this rise, Keynesian economic ideas became

²⁶ Crain, Caleb. “Is Capitalism a Threat to Democracy?” *The New Yorker*, May 2018, <https://www.newyorker.com/magazine/2018/05/14/is-capitalism-a-threat-to-democracy>.

²⁷ Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of Our Time*. (United Kingdom: Beacon Press, 2001).

²⁸ Ruggie, John Gerard. “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order.”

²⁹ *ibid*

³⁰ *ibid*

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.³¹ This was matched by an era of prosperity and economic growth. Real median wages of the working class increased and inequality decreased.³²

The international economic system built on the ideas of embedded liberalism did not last, and neoliberal ideology emerged in the 1980s. This era was focused on returning to neoclassical economics and a focus on the self-regulating market, with as little government intervention as possible.³³ This philosophy proved to be influential and powerful; international institutions and financial institutions often based investment and economic relations on the level of economic “freedom” within nations, especially in young democracies.³⁴

This focus on free-market capitalism has not significantly waned, and neoliberalism continues to be one of the most prominent ideologies driving economic policy. This thesis 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.³⁵

³¹ *ibid*

³² Crain, Caleb. “Is Capitalism a Threat to Democracy?”

³³ Abdelal, Rawi., and Ruggie G., John. “The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism,” *New Perspectives on Regulations*, (2009): 151-162.

³⁴ Appel, Hilary and Orenstein, Mitchell A. *From Triumph to Crisis: Neoliberal Economic Reform in Postcommunist Countries*. (United Kingdom: Cambridge University Press, 2018).

³⁵ Piketty, Thomas. *Capital in the Twenty-First Century*.

WWII and the fascist populism that ensued were 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 allowed for fascist and populist leaders to use xenophobia and racism to rise to power.³⁶ In the modern international order a rise of populism that exploits economic insecurity and uses xenophobia is growing. 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.³⁷ When democracy and capitalism are paired together, 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, the United States, and the United Kingdom will analyze how capitalism in these nations led to conditions that have allowed for the rise of populist leaders.

³⁶ Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of Our Time*.

³⁷ “Democracy under Siege.” *Freedom House*

Chapter I

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 population is ethnically, linguistically, and religiously diverse.³⁸ Its democratic project is even more ambitious because it is the world's most populous democratic state. In India's last election, 65 percent of its 900 million eligible voters voted.³⁹ 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.⁴⁰ 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.⁴¹ 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 1947.⁴² In the period following independence, India maintained a socialist economy with tight capital controls,

³⁸ Sadanand Dhume. September/October 2021. *How Democratic Is the World's Largest Democracy?*

³⁹ *ibid*

⁴⁰ Madan, Tanvi. "Democracy and the US-India Relationship." *Brookings*, 22 Jan. 2021, <https://www.brookings.edu/articles/democracy-and-the-us-india-relationship/>.

⁴¹ *ibid*

⁴² 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/>.

fixed prices, and state-owned industries.⁴³ Up until the early 1980s, the economy pattered along at a relatively slow growth rate of 3.5 percent. In 1991, economic liberalization, classified as the New Economic Policy (NEP) was implemented by the National Congress Party (Congress Party). It increased India's openness to foreign trade and resulted in a global economic success story.⁴⁴ Not only was India populous, diverse, and democratic, but it had a growth rate nearing 8 percent in the 1990s and reaching into 2009.⁴⁵

India's Neoliberal Policies

India's economic liberalization helped stimulate economic growth and prosperity; however, this success was only realized among a small segment of the Indian population. The New Economic Policy contributed to gaping disparities in India's society that opened the path to a dangerous populist movement.

A foreign debt crisis in 1989 quickened India's economic reforms upon the advice of the World Bank and other economic institutions. Before the debt crisis, many Indian citizens and government officials were hesitant to open the Indian economy to foreign investment because the colonial rule in India created antagonism and dislike toward integration in the global economy. Foreign investment was seen by some as a new form of imperialism.⁴⁶ Prior to 1991, India had little trade, at only 0.45 percent of Gross Domestic Product (GDP) in 1985. However, by 2011 through 2015, trade had reached 49 percent of

⁴³ 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.

⁴⁴ *ibid*

⁴⁵ "GDP growth (annual %) - India." *The World Bank*, 2020, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=IN&start=2000&view=chart>.

⁴⁶ Anklesaria Aiyar, Swaminathan S. "Twenty-Five Years of Indian Economic Reform."

GDP (a proportion only second to the U.S. and China).⁴⁷ During the reforms of the 1990s, nationalized industries and banks were privatized, income-tax and wealth taxes were substantially lowered, and barriers to entry for entrepreneurs were taken down.⁴⁸ The economic reforms of the 1990s were part of a wave of neoliberal ideas and the Washington Consensus fanning economic thought of this time.

Following reforms, India received foreign investment and participated in global trade. Economic liberalization allowed many to rise out of poverty and has contributed to India's consistent and strong economic growth.⁴⁹ Today, India is home to several important and prominent companies and boasts 140 billionaires.⁵⁰ To many, the economic liberalization of India is a 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.

While there is truth within this narrative, economic liberalization has caused some instability for India's democracy. Reforms helped to facilitate the rapid growth of India's economy and spurred foreign investment. But, like many experiments in swift economic development, it also resulted in inequality, exploitation of the working class, and the cementing of ties between business moguls and politicians.⁵¹

⁴⁷ *ibid*

⁴⁸ Anklesaria Aiyar, Swaminathan S. "Twenty-Five Years of Indian Economic Reform." *The Cato Institute*, 16 October 2016, www.cato.org/policy-analysis/twenty-five-years-indian-economic-reform

⁴⁹ *ibid*

⁵⁰ Dolan, Kerry A. "Forbes' 35th Annual World's Billionaires List: Facts and Figures 2021." *Forbes*, 06 April 2021, <https://www.forbes.com/sites/kerryadolan/2021/04/06/forbes-35th-annual-worlds-billionaires-list-facts-and-figures-2021/>.

⁵¹ R. Nagaraj, "Understanding India's Economic Slowdown." *The India Forum*, 20 Jan. 2020, <https://www.theindiaforum.in/article/understanding-india-s-economic-slowdown.21>., Kuznets, Simon. "Economic Growth and Income Inequality," *The American Economic Review*, vol. 45, no. 1, (1955):1-28.

The neoliberal policies implemented beginning in 1991 helped to spur economic growth. Both increased foreign direct investment and expanded participation in the global economy invigorated the Indian economy. But, the removal of export subsidies, reductions in tariffs, and deregulation of the banking and agricultural sectors hurt India's poor. The effects of these policies have had long-lasting effects on farmers and India's rural poor. This has led to a persistent disparity between rural and urban populations.

Agricultural Reform

Some economists describe the New Economic Policy as “pro-business” rather than “pro-growth”.⁵² In an effort to industrialize the country, fertile rural lands and forests were often taken over by large businesses and used to build factories.⁵³ The employment of Special Economic Zones disregarded the previous farming efforts on these lands to put a focus on urbanization and industrialization, in a nation where the majority of the citizens engage in agriculture.⁵⁴ Public investment in agriculture rapidly decreased during the period of economic liberalization; the share of Gross Capital Formation invested in agriculture fell from 43.2 percent in 1981 to 19.2 percent in 2007.⁵⁵ Michael Lipton describes this phenomenon as the Urban Bias, where although a majority of citizens live in rural areas, governments often invest more in urban areas.

<https://www.jstor.org/stable/1811581>

⁵² *ibid*

⁵³ *ibid*

⁵⁴ Siddiqui, Kalim. “Developing Countries’ Experience with Neoliberalism and Globalisation,” *Macrothink Institute: Research in Applied Economics*, vol. 4, no .4, (2012).

⁵⁵ Posani, Balamuralidhar. “Crisis in the Countryside: Farmer Suicides and the Political Economy of Agrarian Distress in India.” *Development Studies Institute, London School of Economics and Political Science*, no.09-95, 2009.

Removing trade barriers and investing in cities had some benefits, but these policies also hurt farmers' profits.⁵⁶ Scholars have found that economic liberalization has been paired with an increase in rural poverty.⁵⁷ In the 1980s and the 1990s, global prices for many of India's agricultural prices began to fall, reducing the competitiveness of India's exports. Domestic farmers had to compete with exports that were often buoyed by subsidies.⁵⁸ This, combined with falling prices for exports, decreased the income of many Indian farmers.⁵⁹ Since the 1980s, farmers have not experienced an increase in real income in many parts due to the lack of protective trade policies.⁶⁰

When these policies were first implemented, farmers made up the vast majority of India's labor force, at over 70 percent.⁶¹ Today, agriculture continues to comprise over 40 percent of India's labor force, but only accounts for 18 percent of gross domestic product.⁶² Even though a large portion of India's population works in agriculture, the policies of liberalization mostly benefited the urban population and those near the top of the income bracket.⁶³ Since the 1980s, the southern urban region has experienced more

⁵⁶ Diwakar, Amar. "Neoliberal reforms sowed the seeds of despair for India's farmers." *TRT World*, 03 December 2020, <https://www.trtworld.com/magazine/neoliberal-reforms-sowed-the-seeds-of-despair-for-india-s-farmers-42038>.

⁵⁷ Patnaik, Utsa. "Neoliberalism and Rural Poverty in India." *Economic and Political Weekly*, vol. 42, no. 30, (2007): 3132-3150.

⁵⁸ Joseph, Sarah. "Neoliberal Reforms and Democracy in India," *Economic and Political Weekly*, vol. 42, no. 31, (2007): 3213-3218.

⁵⁹ Posani, Balamuralidhar. "Crisis in the Countryside: Farmer Suicides and the Political Economy of Agrarian Distress in India."

⁶⁰ *ibid*

⁶¹ *Census of India: Economic Activity*. https://censusindia.gov.in/census_and_you/economic_activity.aspx. Accessed 3 Sept. 2021.

⁶² "Agriculture, forestry and fishing, value added (% of GDP)- India." *The World Bank*, 2020, <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=IN>.

"Employment in agriculture (% of total employment) (modeled ILO estimate)- India." *The World Bank*, 2020, <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=IN>.

⁶³ Patnaik, Utsa. "Neoliberalism and Rural Poverty in India."

growth than the northern and central regions of India. Economic policy focused on developing the industrial capacity of the southern region of India and reduced agricultural subsidies and investment in the northern and central regions.⁶⁴ This disparity in investment guided by the New Economic Policy created a regional disparity in the development of these regions. Today, those in the northern and central regions are still poorer than those in the south. This regional disparity has contributed to the rise of populism within India, with poorer regions increasingly supportive of Hindu nationalist populist politicians.⁶⁵

On top of this, deregulation of the financial sector, along with the guidelines of neoliberal thinking, has increased the exploitation of farmers and decreased the availability of safe, easily accessible loans.⁶⁶ Land ownership and the ability to access loans among India's poorest groups have always been historically low (in some part due to discrimination).⁶⁷ However, before financial liberalization, nationalized banks acted with the motive to "provide banking services in previously unbanked or under-banked rural areas."⁶⁸ The privatization of the banking sector reduced the ability of farmers to access fair credit. The informal sector for credit increased, where high-interest loans are

⁶⁴ Nandy, S.N. "Development Disparities in India: An Inter-State and Intra-State Comparison," *Journal of Land and Rural Studies*, vol.7, no. 2 (2019). [doi/10.1177/2321024919844407](https://doi.org/10.1177/2321024919844407)

⁶⁵ Evans, Jonathan. "In India, Hindu support for Modi's party varies by region and is tied to beliefs about diet and language." *Pew Research Center*; 05 August 2021, <https://www.pewresearch.org/fact-tank/2021/08/05/in-india-hindu-support-for-modis-party-varies-by-region-and-is-tied-to-beliefs-about-diet-and-language/>.

⁶⁶ Ramachandran, V.K. and Swaminathan, Madhura. "Rural Banking and Landless Labour Households: Institutional Reform and Rural Credit Markets in India," *Journal of Agrarian Change*, vol. 2, (2002): 502--544.

⁶⁷ Majumdar, Suprakash. "Modi's Farm Bills and Their Repeal Will Do Nothing for This Group." *Foreign Policy*, 06 December 2021, <https://foreignpolicy.com/2021/12/06/india-farm-bill-dalit-bonded-labor-modi-bjp-landlord/>.

⁶⁸ *ibid*

often the only option. The changes in the Reserve Bank of India consequently limited the rural poor's access to credit, and this paired with deregulation in the agricultural sector hurt farmers.⁶⁹

Austerity and Crony Capitalism

The New Economic Policy also instituted austerity measures, reducing spending on critical social services, such as quality and widespread public education, healthcare, and infrastructure.⁷⁰ Many poor Indian citizens continue to suffer from a lack of quality access to healthcare.⁷¹ Despite rising GDP, childhood malnutrition is rising, and calorie intake is falling.⁷² Most Indians do not have access to healthcare, and essential healthcare costs push tens of millions into poverty every year.⁷³ Only the most wealthy Indians are able to afford adequate healthcare, demonstrating the gaping disparities in Indian society.⁷⁴

In conjunction with a lack of critical social services, and the destruction of some parts of the agricultural and informal economy, there has been an increase in corruption. This has been fueled through close relationships between business leaders, creating crony capitalism.

The increase in crony capitalism resulted in part from the New Economic Policy. As industry in India became privatized and open to foreign investment, state capture

⁶⁹ Ramachandran, V.K. and Swaminathan, Madhura. "Rural Banking and Landless Labour Households: Institutional Reform and Rural Credit Markets in India."

⁷⁰ Anklesaria Aiyar, Swaminathan S. "Twenty-Five Years of Indian Economic Reform." *Cato.org*

⁷¹ Powell, Alvin. "Amid pandemic tragedy, an opportunity for change?" *The Harvard Gazette*, 05 February 2021, <https://news.harvard.edu/gazette/story/2021/02/whats-the-future-for-healthcare-in-india/>.

⁷² *ibid*

⁷³ *ibid*

⁷⁴ *ibid*

occurred, and wealthy businessmen bribed politicians to secure lucrative investments.⁷⁵

Corruption has a host of ill effects on the economy. It weakens the legitimacy of politicians, stifles innovation, and limits the effects of regulations and standards on business practices.⁷⁶ Furthermore, if some individuals can pay for more access to politicians' help in business practices, it contradicts the ideas of democracy. In 2014, The Congress Party faced corruption charges, often due to ultra-wealthy entrepreneurs obtaining business permits more quickly and easily than the ordinary Indian citizen.⁷⁷ This corruption has made many in the working and farmer class more skeptical of the Congress Party and given the populist movement a stronger foothold in rejecting the legitimacy of the opposition.⁷⁸

Furthermore, the 2009 global financial crisis exposed the vulnerabilities of the Indian economic growth model. Following, from 2011 to 2014, India experienced a host of economic problems. The neoliberal policies had reverberating effects on the Indian economy. The swift economic growth 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 percent of the Indian population held 77

⁷⁵ Jaffrelot, Christophe. "Crony Capitalism in India Under Narendra Modi." *SciencesPo Center for International Studies*, vol. 237, (2018).

⁷⁶ Khatri, Naresh and Varma, Arup, "Dynamics of corruption and cronyism in India," in *Indian Business*, ed. Pawan S Budhwar, Arup Varma, Rajesh Kumar (London: Routledge, 2019), 61-72.
<https://www.taylorfrancis.com/chapters/edit/10.4324/9781315268422-6/dynamics-corruption-cronyism-india-naresh-khatri-arup-varma>

⁷⁷ R. Nagaraj "Understanding India's Economic Slowdown."

⁷⁸ Dutt, Barkha. "Why does Narendra Modi keep winning elections in India?" *The Washington Post*, 16 March 2022,
<https://www.washingtonpost.com/opinions/2022/03/16/narendra-modi-yogi-adityanath-bjp-state-elections-india-winning-congress-gandhi/>.

percent of the national wealth.⁷⁹ While some inequality is expected after a transition from a socialist system to a free-market economy, 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.⁸⁰ India's 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 candidates.⁸¹ The neoliberal policies left India's rural poor behind. Some individuals and regions grew wealthy while others remained in poverty. The populist movement has been able to use the economic distress in India to gain popularity, focusing on the plight of the poor and the corruption of the elite.

India's Populist Movement

India's populist movement used economic insecurity to rise to power. It played into religious tensions to gain popularity and has weakened the parliamentary democracy in India. India's parliamentary system, like many other democracies, has two dominant political parties, the Indian National Congress (Congress) and the Bharatiya Janata Party

⁷⁹ "India: Extreme Inequality in Numbers." *Oxfam International*, 19 Oct. 2019, <https://www.oxfam.org/en/india-extreme-inequality-numbers>.

⁸⁰ Castle, Jennifer, Martinez, Andrew and Hendry, David. "The paradox of stagnant real wages yet rising 'living standards' in the UK." *Vox EU: Center for Economic Policy and Research*, 21 January 2020. <https://voxeu.org/article/paradox-stagnant-real-wages-yet-rising-living-standards-uk>.

⁸¹ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

(BJP). During the post-colonial period leading up to 2014 Congress party dominated.⁸²

The Congress party ruled over a period of economic growth following reforms from the late 1990s to 2009.⁸³ Although the party was previously an advocate of socialist economic policy, it presided over economic liberalization. Leading up to 2014, the economic inequality, agrarian crisis, and crony capitalism allowed for the rise of Narendra Modi as the leader of the Bharatiya Janata Party.

Modi and the BJP have been able to appeal to voters through the use of Hindu nationalism, promotion of targeted welfare programs, and anti-elite rhetoric. In the most recent 2022 election, Modi's party gained an unprecedented number of parliamentary seats, largely in part due to their win in Uttar Pradesh.⁸⁴

Uttar Pradesh is the most populous state in India with over 200 million people and is more impoverished than its southern counterparts. This northern state was a stronghold of the Congress party for decades. But as unemployment has reached a 45-year high, with youth unemployment disproportionately high, voters have looked for new political leaders. The reputation of corruption and crony capitalism have damaged the Congress Party. The BJP has painted the Congress party as a disconnected and uninterested elite ruling party. The Nehru-Gandhi dynasty has directed the Congress party since India's independence. Interviews with the rural poor in India demonstrated deep seeds of discontent and anger surrounding the Nehru-Gandhi dynasty based on the perception of

⁸² "Indian National Congress | History, Ideology, & Facts." *Encyclopedia Britannica*, <https://www.britannica.com/topic/Indian-National-Congress>. Accessed 3 Sept. 2021

⁸³ Gargan, Edward A. "India Stumbles in Rush to a Free Market Economy." *The New York Times*, 15 August 1992. <https://www.nytimes.com/1992/08/15/world/india-stumbles-in-rush-to-a-free-market-economy.html>.

⁸⁴ Mashal, Mujib and Singh Deep, Karen. "Modi's Party Wins the Biggest prize in India's State Elections." *The New York Times*, 10 March 2022, <https://www.nytimes.com/2022/03/10/world/asia/india-elections-modi.html>.

the dynasty as “lazy” and “corrupted”.⁸⁵ Many see Modi as a more invigorated, down-to-earth leader that can sympathize with the poor’s condition.

Secondly, the New Economic Policies’ focus on urban and industrial investment contributed to the poverty in the rural northern and central states. Today, these regions continue to suffer economically, and many young people have less income and wealth than their parents. The Congress party has lost appeal in the north. 68 percent of the northern population voted for the BJP while only 19 percent in the wealthier southern states voted for Modi.

Modi’s use of Hindu welfare nationalism has also helped to galvanize voters among his cause. The BJP has used rising tension among Hindus and Muslims, especially in poorer areas, to gain popularity. Like many populist movements, the BJP often blames economic distress on Muslims, a minority group in India, to appeal to the economic woes of Hindu voters.⁸⁶ In Uttar Pradesh alone, since 2014, there have been dozens of fatal lynchings of Muslims by Hindu mobs, demonstrating the rising tension and Hindu nationalist sentiment in the state.⁸⁷ Interviews have demonstrated that young voters in the region find solace in Modi’s commitment to Hindu beliefs and his widespread use of the Hindi language. The use of the Hindi language particularly resonates among younger and poorer voters. This is in great juxtaposition to the leadership of the Congress party. The Congress party was made up of Western-educated, English-speaking technocrats, distant

⁸⁵ Marwaha, Vivan. “Viewpoint: Why India’s millennials support Pm Narendra Modi.” *The BBC*, 04 October 2021, <https://www.bbc.com/news/world-asia-india-58716947>.

⁸⁶ George, Cherian. “The Rise of Hindu Nationalism.” *The MIT Press Reader*, 28 February 2016. <https://thereader.mitpress.mit.edu/the-rise-of-hindu-nationalism/>

⁸⁷ Blank, Jonah. “India’s Democracy Is the World’s Problem.”

and removed from the farming class in India's northern and central regions.⁸⁸ Modi's anti-elitism and nationalism easily attracted young voters to his party. 40 percent of those 18-35 voted for Modi in the most recent election.⁸⁹ Modi utilized economic distress to gain popularity.

Democratic Backsliding in India

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).⁹⁰ The Bharatiya Janata Party won a majority in the parliament in 2014 and elected Narendra Modi as prime minister, and Modi's party won again in 2022.⁹¹ Modi, famous in Indian politics for his time as governor of the Gujarat state, has catapulted India into a form of populist autocracy.⁹²

The neoliberal reforms implemented in India in 1991 exacerbated inequality and further divisions within Indian society.⁹³ 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

⁸⁸ Marwaha, Vivan. “Viewpoint: Why India's millennials support Pm Narendra Modi.”

⁸⁹ *ibid*

⁹⁰ Lührmann, Anna, Maerz, Seraphine F. Grahn, Sandra. Alizada, Nazifa. Lisa Gastaldi, Sebastian Hellmeier, Garry Hindle and Staffan I. Lindberg. “Democracy Report 2022: Autocratization Changing Nature?” *V-Dem Institute*, 2022, https://v-dem.net/democracy_reports.html.

⁹¹ Mashal, Mujib and Singh Deep, Karen. “Modi's Party Wins the Biggest prize in India's State Elections.”

⁹² Filkins, Dexter. “Blood and Soil in Narendra Modi's India.” *The New Yorker*, December 2019, <https://www.newyorker.com/magazine/2019/12/09/blood-and-soil-in-narendra-modis-india>.

⁹³ 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/>.

the government and the people. Modi and the BJP's ascent to power are 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 tamping down on corruption.⁹⁴ In reality, the economy has been undergoing a contraction since Modi rose to power. Gross domestic product has been growing more slowly, and India has suffered severely from the Covid crisis in terms of economic growth.⁹⁵

Narendra Modi is a powerful, popular, and charismatic leader, who can be characterized as a populist due to his anti-elitist, ethnic-nationalist, authoritarian rhetoric and policies. Modi is at the forefront of India's slide into electoral autocracy. Modi receives legitimacy due to his large electoral mandate.⁹⁶ However, it is notable that most autocrats in modern history have been elected to power.⁹⁷ While the popular imagination sees a coup d'état, autocrats can exist with a democratic framework and operate within the pre-existing institutions of democracy.⁹⁸ The same argument can follow for the situation occurring in India.

Modi's Populism

To define Modi as a populist, this thesis 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

⁹⁴ R. Nagaraj "Understanding India's Economic Slowdown."

⁹⁵ *ibid*

⁹⁶ Mashal, Mujib and Singh Deep, Karen. "Modi's Party Wins the Biggest prize in India's State Elections."

⁹⁷ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

⁹⁸ *ibid*

corruption of the ruling class and describe a system where the leading financiers, businessmen, educators, and politicians are tied together.⁹⁹ Modi and the BJP highlighted the corruption of the ruling Congress party and criticized the establishment of the prior ruling party in his campaign to become prime minister.¹⁰⁰ Among the rural poor this criticism of the elite class has broad appeal. Gaping economic inequality has spurred discontent between rural and urban populations. Modi's disdain for the academic elite and ruling establishment resonates among the poorest in India.¹⁰¹

Modi has jailed key opposition leaders of the Congress party.¹⁰² He also has consistently maligned journalists and the free press and discouraged reporting that criticized his leadership.¹⁰³ 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.¹⁰⁴ Modi, in this vein, helps to break 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.

⁹⁹ Mudde, Cas and Kaltwasser Rovira, Cristobal. *Populism: A Very Short Introduction*. (Oxford University Press, 2017). DOI: 10.1093/actrade/9780190234874.001.0001

¹⁰⁰ Vaishnav, Milan, and Milan Vaishnav. "India's Democracy Is More Delicate Than It Seems." *Carnegie Endowment for International Peace*, 21 May 2018, <https://carnegieendowment.org/2018/05/21/india-s-democracy-is-more-delicate-than-it-seems-pub-76419>.

¹⁰¹ Marwaha, Vivan. "Viewpoint: Why India's millennials support Pm Narendra Modi."

¹⁰² "Democracy under Siege." *Freedom House*,

¹⁰³ *ibid*

¹⁰⁴ Bhanu Mehta, Pratap. "Democracy Tested: Democratic Backsliding in India, With Pratap Bhanu Mehta." 21 Mar. 2021. Podcast, *Council on Foreign Relations*.

<https://www.cfr.org/podcasts/democracy-tested-democratic-backsliding-india-pratap-bhanu-mehta>.

The domination of one party and the delegitimizing of the other is dangerous to the democratic process. Anti-elitism harps on the failure of the previous establishment and the pre-existing democratic institutions. Modi's delegitimization of existing democratic institutions by labeling them 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. For voters to make informed choices and participate properly in a democracy, the free press and academia 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 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 can 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 critical to a sustainable democracy.¹⁰⁵ Modi's criticism of elites and populist tendencies has dangerous consequences: the delegitimizing of institutions, civil society, and opposition parties facilitates the breakdown of the foundations of democracy.

¹⁰⁵ Diamond, Larry. "What Civil Society Can Do to Develop Democracy." 10 February 2004, Stanford University, Convention Center, Baghdad, <https://diamond-democracy.stanford.edu/speaking/speeches/what-civil-society-can-do-develop-democracy>

Hindu Nationalism within the Populist Movement

Modi also fits the mold of a populist leader in his ethnic-nationalistic rhetoric and policy, which undermine the idea of democracy as a system that protects the rights of 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.¹⁰⁶ The Bharatiya Janata Party is a political offshoot of Rashtriya Swayamsevak Sangh (RSS), a group focused on right-wing Hindu nationalism, that has promoted extremism, and violence and is home to the person who assassinated Mahatma Gandhi.¹⁰⁷ Modi was a member of this group from a young age and has campaigned on Hindutva, a philosophy that has the goal of establishing India as a Hindu state.¹⁰⁸ India has a large Hindu majority at 80 percent but also has a significant Muslim population, and small populations of Christians, Buddhists, Jainists, and Sikhs.¹⁰⁹ Since the Indian Partition in 1947, there has been 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.¹¹⁰

As governor of the Gujarat state, Modi presided over extremely violent and lethal riots against Muslims.¹¹¹ Modi himself is a Hindu nationalist, and this philosophy seeks to

¹⁰⁶ Piketty Thomas, et al. "Growing Cleavages in India? Evidence from the Changing Structure of Electorates, 1962-2014."

¹⁰⁷ Blank, Jonah. "India's Democracy Is the World's Problem."

¹⁰⁸ Filkins, Dexter. "Blood and Soil in Narendra Modi's India."

¹⁰⁹ *ibid*

¹¹⁰ Frayer, Lauren. "Hindu Nationalism, The Growing Trend In India." *Morning Edition: National Public Radio*, Podcast, 22 April 2019.

<https://www.npr.org/2019/04/22/715875298/hindu-nationalism-the-growing-trend-in-india>.

¹¹¹ Filkins, Dexter. "Blood and Soil in Narendra Modi's India."

establish India as a Hindu homeland.¹¹² This idea is becoming increasingly popular within India with a reduction of 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.¹¹³ This has also devolved into violence, with over 80 Muslims killed in riots in 2020 alone.¹¹⁴ Since Modi has been prime minister, from 2014 to 2017, communal violence has risen by 28 percent.¹¹⁵ Muslims in India are facing discrimination in the workplace, and are subject to hate crimes, violence, and prejudice. In the poorer northern and central regions, Indians are more likely to state Hinduism is critical to Indian identity. 69 percent of those in the North stating being Hindu is very important to be truly Indian, and only 42 percent in the South found this to be true. The Northern states in India are poorer and have higher rates of youth unemployment. These young and impoverished citizens have been more susceptible to the xenophobic and Hindu nationalist ideas Modi employed within his economic rhetoric and policy.¹¹⁶

Modi rose to power on the promise to revive the Indian economy from the slump it faced because of the global recession and remedy the persistent inequality most Indians endured. In the 2014 election, the BJP won 30 percent of the rural vote, toppling the

¹¹² 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/>.

¹¹³ Frayer, Lauren. "Hindu Nationalism, The Growing Trend In India."

¹¹⁴ Griswold, Eliza. "The Violent Toll of Hindu Nationalism in India." *The New Yorker*, March 2019, <https://www.newyorker.com/news/on-religion/the-violent-toll-of-hindu-nationalism-in-india>.

¹¹⁵ *ibid*

¹¹⁶ Filkins, Dexter. "Blood and Soil in Narendra Modi's India.", Viswanath, Sunita. "Modi's Religious Nationalism Hurts India's Hindus, Too." *Foreign Policy*, 26 May 2021, [foreignpolicy.com, https://foreignpolicy.com/2021/05/26/modi-hindu-nationalism-hindutva-hurts-hindus-too/](https://foreignpolicy.com/2021/05/26/modi-hindu-nationalism-hindutva-hurts-hindus-too/), George, Cherian. "The Rise of Hindu Nationalism."

opposition party which only secured 19 percent of the rural vote.¹¹⁷ Rural voters are more likely to be in poverty, but Modi has gained popularity in this region through his Hindu nationalist appeal and promise of swift welfare to Hindu citizens. Before Modi's ascent to leadership in the BJP party, the party was weaker among poor and rural voters due to its focus on free markets. Congress had more sway among poorer voters because of its commitment to welfare policies. However, Modi's employment of both anti-elitist and Hindu nationalist rhetoric has drawn supporters to the party. Since its first major win in 2014, the party has become continually more popular among rural voters, increasing its vote share by 6.8 percentage points in the rural population in the 2019 elections.¹¹⁸ The BJP has expanded its base to include the Dalits, Adivasis, and unemployed youth. Poor and marginalized voters in more rural regions have resonated with Modi's anti-elitist and Hindu nationalist message.¹¹⁹ These disadvantaged groups are frustrated by the establishment Congress Party, the wealth inequality they experience, and the secular Congress party government in comparison to their more religiously devoted lives.

Modi's rhetoric of ethnonationalism and xenophobia has played out in restrictive immigration and citizenship policies, as well as Hindu nationalist focused temple construction. 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.¹²⁰ This legislation builds on the idea of India as a Hindu nation. Modi has also begun to lay the

¹¹⁷ Sridharan, Eswaran. "India's Watershed Vote: Behind Modi's Victory," *Journal of Democracy*, vol. 25, no.4, (2014).

¹¹⁸ Kumar, Sanjay. "Verdict 2019: The expanded base of the Bharatiya Janata Party," *Asian Journal of Comparative Politics*, vol. 5, (2020): 6-12.

¹¹⁹ *ibid*

¹²⁰ "Democracy under Siege." *Freedom House*

foundations for a Hindu temple, on the grounds of an ancient Mosque destroyed in 1992 by RSS militants in a riot.¹²¹ This laying of foundation legitimizes acts of destroying important Muslim holy sites and consecrates the idea of an ethnonational state.

Conclusion

Modi's majoritarian and anti-elitist actions and rhetoric are authoritarian and promote the idea of single-party ideology and dominance. The BJP rose to power due to the deep economic divisions of society caused in part by the rapid liberalization of India's economy in the 1990s. The economic opening of India was critical to its growth and for millions to exit poverty. It allowed for new businesses to flourish and for India to take a place in global trade. This thesis argues that free-market capitalism and global trade can be important pieces of a successful democracy. But this free-market 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. India's multi-ethnic, lingual, and religious democracy is not an unrealistic ideal.¹²² While the rising authoritarianism in India is based on ethnonationalism, this type of divide based on

¹²¹ Frayer, Lauren, and Sushmita Pathak. "At Site Of Razed Mosque, India's Modi Lays Foundation For Controversial Hindu Temple." *National Public Radio*, 05 August 2020, <https://www.npr.org/2020/08/05/899247507/at-site-of-razed-mosque-indias-modi-lays-foundation-for-controversial-hindu-temp>.

¹²² Dutt, Barkha. "Why does Narendra Modi keep winning elections in India?"

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 is it an irreversible crisis.¹²³ The pluralistic, secular democracy that previously existed within India is an attainable vision for the future.

Electoral democracy is vulnerable to autocracy because the people 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 prosperous, this can break down the contract between the government and the people.¹²⁴ 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 must be kept at a level where large groups do not feel wholly disenfranchised by the current system in place.

¹²³ *ibid*

¹²⁴ Polanyi, Karl. The great transformation of the political and economic origins of our time.

Chapter II

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 systems together, the inequalities created by the economic regime have caused democratic backsliding and dangerous flirtations with authoritarianism.¹²⁵ This section of the thesis will focus on how the neoliberal movement and the breaking of the post-war compromise have contributed 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 idea of avoiding the atrocities and political radicalization which occurred during World War II.¹²⁶ The 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 Bretton Woods institutions, and the other international financial and legal institutions, were built in part to create a system that would safeguard the most fundamental human rights. Besides the international reforms taking place, the United States modified its domestic economic system. It adopted a higher income tax and a more progressive tax system coupled with a

¹²⁵ 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.

¹²⁶ 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>.

focus on public spending on infrastructure and education.¹²⁷ The postwar period was prosperous. But in the 1980s, the rise of neoliberalism changed this economic consensus and focused on reducing corporate and income taxes, social spending, and balancing the budget.¹²⁸ The compromise of embedded liberalism was weakened because of a change in the social contract between the government and the people.

Neoliberalism and Financial Deregulation in the United States

These ideas of neoliberalism have persisted throughout the United States and spread to create an international standard. In the 1980s, economic thought stemming from the Chicago School and made popular by economists like Milton Friedman and Friedrich Hayek garnered prominence.¹²⁹ Economists like Friedman emphasized the dangers of social spending.¹³⁰ These ideas were at the forefront of economic thought. Within the United States, this philosophy resulted in the idea that “a rising tide lifts all boats”.¹³¹ Trickle-down economics, which in theory was meant to lead to economic growth and higher standards of living for all of society, instead contributed to the increase in inequality. The Gini coefficient of the United States has been steadily rising since the

¹²⁷ Jacobs, Lawrence R., and Soss, Joe. “The Politics of Inequality in America: A Political Economy Framework,” *Annual Review of Political Science*, vol. 13, no. 1, (May 2010): 341–64, <https://doi.org/10.1146/annurev.polisci.041608.140134>.

¹²⁸ George, Susan. “A Short History of Neoliberalism.”

¹²⁹ *ibid*

¹³⁰ Ruggie, John Gerard. “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order.”

¹³¹ Stiglitz, Joseph E. “8. Inequality and Economic Growth.”

1970s.¹³² It has risen from 0.394 in 1970 to 0.415 in 2018.¹³³ The number of billionaires and millionaires has grown vastly. While the richest of the United States have accumulated more wealth and higher incomes, the real median income for the working class has been stagnant since the 1970s.¹³⁴

The United States spends less on social programs as a percentage of GDP in comparison to many of its wealthy peers of the Organization of Economic Development Nations.¹³⁵ The government also redistributes much less than most rich countries.¹³⁶ The 2008 financial crisis is a key example of the most harmful aspects of the current economic mechanism in place, and a catalyst in the current democratic backsliding.¹³⁷ It is critical to understand the unique nature of the American capitalist system. The United States' focus on neoliberal policies has allowed for the creation of a sort of plutocracy.¹³⁸ Social mobility and wage inequality have reached levels parallel to the Great Depression. The inequality in the United States is unprecedented in a nation as wealthy and developed.¹³⁹ For example, today's CEOs make 185 times more than the average worker,

¹³² *ibid*

¹³³ "Gini Index (World Bank Estimate)- United States." *The World Bank*, 2018, <https://data.worldbank.org/indicator/SI.POV.GINI?locations=US>., "How Has Income Inequality Changed Over the Years?" *Federal Reserve Bank of St. Louis*, 30 June 2016, stlouisfed.org/on-the-economy/2016/june/how-has-income-inequality-changed-years#:~:text=The%20authors%20found%20that%20the,1970%20to%200.482%20in%202013.

¹³⁴ *ibid*

¹³⁵ "Social Spending" *OECD*, 2019, <https://data.oecd.org/social-exp/social-spending.htm>.

¹³⁶ "United States: Tackling High Inequalities Creating Opportunities for All." *Organisation for Economic Cooperation and Development*, June 2014, <https://www.oecd.org/unitedstates/Tackling-high-inequalities.pdf>.

¹³⁷ Stiglitz, Joseph E. "The Ideological Crisis of Western Capitalism." *Project Syndicate*, 06 July 2011, https://www.project-syndicate.org/commentary/the-ideological-crisis-of-western-capitalism?a_la=english&a_d=d9965f0446f86fa80b0d4401&a_m=&a_a=click&a_s=&a_p=%2Ftopic%2Fstiglitz-on-america&a_li=the-ideological-crisis-of-western-capitalism&a_pa=topic-commentaries&a_ps=&a_ms=&a_r=

¹³⁸ Stiglitz, Joseph E. "8. Inequality and Economic Growth."

¹³⁹ *ibid*

whereas in 1965 they made 24 times more than their average worker.¹⁴⁰ 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 with tradable equities.¹⁴¹ 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 only grew 47 percent during those same years.¹⁴²

Thomas Piketty, author of *Capital in the Twenty-First Century* warns that wealth inequality can be particularly dangerous because capital is growing at a faster rate than the economy. This means those who inherit wealth will always have a leg up on those without affluence, even if these individuals make a significant income.¹⁴³ The bottom half of the United States population, approximately sixty-three million families owned 1 percent of the total wealth in 2016.¹⁴⁴ This translates into incredibly low social mobility with the United States ranking as being one of the least socially mobile countries.¹⁴⁵ This rising tide of inequality has grown following market reforms that ignore the most fundamental parts of equity and equality in opportunity.

Multiple long-term economic forces have led to a degradation of embedded liberalism within the United States. These included a lack of safeguarding the banking

¹⁴⁰ *ibid*

¹⁴¹ Gebeloff, Robert. "Who Owns Stocks? Explaining the Rise in Inequality During the Pandemic." *The New York Times*, 26 January 2021, <https://www.nytimes.com/2021/01/26/upshot/stocks-pandemic-inequality.html>.

¹⁴² Siripurapu, Anshu. "The U.S. Inequality Debate." *Council on Foreign Relations*, 15 July 2020, <https://www.cfr.org/backgrounder/us-inequality-debate>.

¹⁴³ Piketty, Thomas. *Capital in the Twenty-First Century*.

¹⁴⁴ "Wealth Inequality in America: Key Facts & Figures" *FRED: St. Louis Fed*, August 2019, <https://www.stlouisfed.org/open-vault/2019/august/wealth-inequality-in-america-facts-figures>.

¹⁴⁵ Siripurapu, Anshu. "The U.S. Inequality Debate." *Council on Foreign Relations*.

system and a prosperity gap stemming from a change in global integration. As discussed below, the neoliberal revolution of the 1980s and 1990s allowed for increasingly deregulated financial markets.¹⁴⁶ The 2008 financial crisis demonstrated the dangers of a less tightly regulated banking system and cast doubt on the stability of the financial system.

Throughout the 1980s, 1990s, and early 2000s, 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 the early 2000s, 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.¹⁴⁷ The policy of deregulation precipitated increasingly risky behaviors of investment and commercial banks and the growth of the shadowing banking system.¹⁴⁸

The United States throughout the 1980s and 1990s became increasingly integrated into a more global financial system. Banks, in an effort to make similar profits to their foreign counterparts, lobbied to have domestic regulations removed, so they could take part in the advent of new riskier financial instruments.¹⁴⁹ Economic thought also persuaded policymakers and central bankers to repeal much of the fundamental legislation passed

¹⁴⁶ Eichengreen, Barry. *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*.

¹⁴⁷“Federal Funds Effective Rate,” *FRED, Economic Data St. Louis Fed*, April 2022, <https://fred.stlouisfed.org/series/FEDFUNDS>.

¹⁴⁸ *ibid*

¹⁴⁹ Sherman, Matthew. “A Short History of Financial Deregulation in the United States.” *Center for Economic and Policy Research*, July 2009, <https://www.cepr.net/documents/publications/dereg-timeline-2009-07.pdf>.

following the banking crisis which sparked the Great Depression.¹⁵⁰ In 1999, The Gramm-Leach-Bliley Act was passed which undid the Glass-Steagall act completely. This act allowed for national commercial banks to engage in putting depositors' money into more complex financial instruments and allowed for commercial and investment banks to merge. The banking legislation in place following the Great Depression was put into place to avoid crisis; neoliberal deregulation of the 1980s and 1990s undid this.

These policies, many economists posit, led to the growth of a housing bubble and the financial crisis of 2008.¹⁵¹ Practices like predatory lending affected all types of Americans. Although the financial system was centered in New York City, the crisis created a recession, and thousands of Americans defaulted on their homes and lost their jobs.¹⁵² This crisis spread internationally, affecting the global economy, and had devastating effects on the United States. The crisis itself can illustrate the deep flaws of the federal government. In 2009, as the largest investment banks were being rescued to stabilize the global financial market, bankers received seven-figure bonuses.¹⁵³ In 2011, a third of Americans (32 percent) stated that the federal government's actions worsened the financial crisis.¹⁵⁴ 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.

¹⁵⁰ Igan, Dinaz, Mishra, Prachi and Tressel, Thierry. "A Fistful of Dollars: Lobbying and the Financial Crisis," *National Bureau of Economic Research Macroeconomics Annual*, vol. 26, (2011).

¹⁵¹ Krugman, Paul. *The Return of Depression Economics and the Crisis of 2008*. (United States: W. W. Norton, 2009).

¹⁵² *ibid*

¹⁵³ Story, Louise, and Eric Dash. "Bankers Reaped Lavish Bonuses During Bailouts." *The New York Times*, 30 July 2009, <https://www.nytimes.com/2009/07/31/business/31pay.html>.

¹⁵⁴ "Americans Still Believe Deeply in Homeownership as an Integral Part of the American Dream." *Heartland Monitor Poll: Allstate, National Journal, The Atlantic*, 18 March 2011, https://www.allstate.com/resources/allstate/attachments/heartland-monitor/heartland_viii_press_release.pdf.

The breakdown 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 in society. The banking crisis of 2009 delegitimized the free market because it did not reflect the social values of society.¹⁵⁵ In October of 2008, 66 percent of Americans found that the great recession harmed their own financial situation, and 40 percent of Americans stated that the 2008 recession was the most significant economic crisis in their lifetime.¹⁵⁶

In conjunction with the financial crisis, the technological shift of the 1990s, and the rise in globalization have caused economic insecurity and disenfranchisement for a large sector of the population. The 1980s and the 1990s saw an increase in U.S. foreign trade and U.S. entrance into bilateral and multilateral trade agreements.¹⁵⁷ Across parties, the U.S. spearheaded neoliberal policy in international economics and was a leader in creating open trade agreements. While engagement in foreign trade and globalization was beneficial to many Americans, to others it was detrimental.

Deindustrialization in the United States

Since 1979, the United States has been shifting from a country focused on manufacturing to a country with the labor force largely working in the service sector, in

¹⁵⁵ Abdelal, Rawi., and Ruggie G., John. *The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism*

¹⁵⁶ “Views on the Financial Crisis.” *Gallup Polls*, October 2008, <https://news.gallup.com/poll/110797/views-financial-crisis.aspx>

¹⁵⁷ Brainard, Lael. “Trade Policy in the 1990s.” *The Brookings Institution*, 29 June 2001, <https://www.brookings.edu/research/trade-policy-in-the-1990s/>.

part due to increased involvement in the global economy. Local manufacturing now competes on a global scale, instead of just a domestic or regional one. Economists have found that specifically China's entrance into the global economy quickened the pace of deindustrialization and broke down the resilience of local labor markets.¹⁵⁸ Industrial labor markets were especially weakened in areas where the industry was already in decline, education levels were low, and wages were high.¹⁵⁹ Imports from China have had substantial and persistent distributional effects on wages and adjustment costs. Areas that were exposed to Chinese competition had depressed wages and employment for more than 10 years.¹⁶⁰ 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.¹⁶¹

These communities not only suffered from a change due to the United States' increased involvement in the global economy but also due to the value placed on high-skilled versus low-skilled labor. As technology allowed skilled workers to be more productive, unskilled workers faced stagnant wages. Trade and automation made manufacturing less expensive, reducing the value of low-skilled workers.¹⁶² The real wages of the working class have barely risen since 1973, although the real prices of many

¹⁵⁸ Broz, J. Lawrence, Frieden, Jeffrey and Stephen Weymouth. "Populism in Place: The Economic Geography of the Globalization Backlash," *International Organization*, vol. 75, no. 2, (2021): 464–94.

¹⁵⁹ Eriksson, Katherine, Russ, Katheryn, Shamaugh, Jay C., and Xu, Minfei. "Trade Shocks and the Shifting Landscape of U.S. Manufacturing," *National Bureau of Economic Research*, Working Paper 25646, (2020).

¹⁶⁰ Autor, David H., et al. "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade." *National Bureau of Economic Research*, Working Paper, 21906, (Jan. 2016) <https://doi.org/10.3386/w21906>.

¹⁶¹ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

¹⁶² *ibid*

items have risen. Since the 1970s, the weekly earnings of the “90th percentile worker relative to the 10th percentile worker have increased by over 25 percent.”¹⁶³ Prior to the 1970s, the wage differential between highly educated and unskilled workers was lower, but since this period it has increased dramatically.¹⁶⁴ Labor’s share of income has dropped from 65 percent in the 1970s to 57 percent in 2017.¹⁶⁵ Several factors have put downward pressure on manufacturing and low-skilled wages, among them being automation, global competition for wages, and a higher value placed on high-skilled workers due to a shift in technology.

The United States was not alone in facing massive changes in industrialization. During this period, France and the United Kingdom have faced declining manufacturing. In all three of these countries, areas with a decline in manufacturing and persistently high unemployment are increasingly voting more toward the right and expressing populist sentiments.¹⁶⁶ In the United States, areas with high levels of white manufacturing unemployment and deindustrialization have supported candidates that wish to reinforce “racial hierarchy” and address economic distress.¹⁶⁷ Economist Dani Rodrik finds that deindustrialization as a result of globalization creates a specific type of economic anger

¹⁶³ Autor H., David and Katz F., Lawrence. “Changes in the Wage Structure and Earning Inequality,” in *Handbook of Labor Economics*, vol. 3, ed. O. Ashenfelter and D. Card. (Cambridge: Elsevier Science, 1999), 1463-1556. <https://economics.mit.edu/files/11676>

¹⁶⁴ *ibid*

¹⁶⁵ Nunn, Ryan and Shambaugh, Jay. “Why Wages Aren’t Growing in America.” *Harvard Business Review*, 24 October 2017, <https://hbr.org/2017/10/why-wages-arent-growing-in-america>.

¹⁶⁶ *ibid*

¹⁶⁷ Bacinni, Leonardo, and Weymouth, Stephen. “Gone For Good: Deindustrialization, White Voter Backlash, and US Presidential Voting,” *American Political Science Review*, vol. 115, no. 2 (2021): 550–67. “Deindustrialization and its impact in the U.S., The UK, and France.” *Harvard Mellon Urban Initiative*, 2020, <https://mellonurbanism.harvard.edu/deindustrialization-and-its-impact-us-uk-and-france-0>.

based on the idea of perceived unfairness.¹⁶⁸ Rodrik finds that the economic discontent of those who lost their jobs in the midst of globalization fueled the most recent populist wave.¹⁶⁹

This thesis argues that the fundamental principles of markets and trade can be beneficial to economic growth. Participation in global trade, for instance, allows for country specialization, the combining of intellectual resources, and 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. Secondly, some economists have argued that the United States should employ specifically targeted industrial policy to help lagging industries or to invigorate budding new ones.¹⁷⁰ Protectionism can be harmful, but as the United States jumped into the free trade arena in the 1980s and 1990s, it was less cognizant of the dangerous effects of industrialization. Trade, as well, is not the only contributor to shifting labor markets in former manufacturing areas. A decrease in rural investment, a significant brain drain, and a more hands-off government, all have contributed to the breakdown of the rust belt and rural areas of the United States.¹⁷¹

¹⁶⁸ Rodrik, Dani. "Populism and the economics of globalization," *Journal of International Business Policy*, vol. 1, (2018): 12-33.

¹⁶⁹ *ibid*

¹⁷⁰ Gertz, Geoffrey and Kharas, Homi. "Beyond Neoliberalism: Insights from emerging markets." *The Brookings Institution: Global Economy and Development*, April 2019, <https://www.brookings.edu/wp-content/uploads/2019/05/beyond-neoliberalism-final-05.01.pdf>

¹⁷¹ *ibid*

The combination of deindustrialization and the financial recession was the perfect recipe for the rise of a populist leader with an authoritarian tilt.¹⁷² Inequality had been persistent and growing since the 1970s. The gap between the rich and the poor was 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. In 2016, the year Trump was elected, 48 percent of Americans found that “the economy mostly rewards the rich, and it’s difficult for average people to get ahead.”¹⁷³ Furthermore, in 2011, three years after the crisis, 52 percent of Americans “blamed the housing crisis on banks and lending institutions for misleading borrowers and approving bad loans.”¹⁷⁴ The banking crisis and deindustrialization broke down Americans' confidence in the American dream.

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.

¹⁷² Ruggie, John Gerard. "Globalization and the embedded liberalism compromise: The end of an era?," *Max Planck Institute for the Study of Societies*, MPIfG Working Paper 97/1,(1997).

¹⁷³ Brownstein, Ronald. “America’s Persistent Economic Gloom.” *The Atlantic*, 27 January 2016, <https://www.theatlantic.com/business/archive/2016/01/american-pessimism-economy/431574/>.

¹⁷⁴ “Americans Still Believe Deeply in Homeownership as an Integral Part of the American Dream.”

The United States' Recent Wave of Populism

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 can be characterized as anti-elitist, nativist, and authoritarian.¹⁷⁵ Not all populists are necessarily authoritarian. But populists' depiction of constantly degrading “the system” in place can be inherently damaging to a democratic system. Similarly, populists use their electoral mandate in order to degrade democratic institutions. Former President Donald Trump can be classified as a populist, and 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 concerned that elected politicians could cause democratic breakdown. The warning signs are: politicians casting doubt on the democratic system, denying the legitimacy of the opposition, encouraging violence by their supporters, and demonstrating support or willingness to break down or disregard civil liberties.¹⁷⁶

Throughout his presidency and campaign, Donald Trump met the criteria: the first being the rejection of democratic rules and norms. Trump did in many ways, but the most fundamental was his rejection of free and fair election results both in 2016 and 2020.

¹⁷⁵ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

¹⁷⁶ 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): 891–93. <https://doi.org/10.2307/2130571>.

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.¹⁷⁷ In the 2020 election in which he lost both the majority and the electoral college, Donald Trump rejected the result of the election and claimed that he lost due to massive voter fraud.¹⁷⁸ Leading up to the election, and throughout his presidency, Trump discouraged voting accessibility and criticized actions like mail-in voting or voter assistance during the 2020 election.¹⁷⁹ After the election results were released in 2020, he denied the legitimacy and the results of this election. These actions had such far-flung results that multiple members of the House rejected to ratify the election, and it spurred domestic unrest.¹⁸⁰ The former President even went so far as to threaten the Secretary of State of Georgia not to ratify the results of the election.¹⁸¹ This blatant disregard for a democratic procedure demonstrates Trump's autocratic tendencies. The rejection of the peaceful transfer of power undermines one of the most critical aspects of democracy. When leaders cast significant doubt on the electoral system, they deny the legitimacy of

¹⁷⁷ 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/>.

¹⁷⁸ Gerhart, Ann. "Election Results under Attack: Here Are the Facts." *Washington Post*, March 11 2021, <https://www.washingtonpost.com/elections/interactive/2020/election-integrity/>.

¹⁷⁹ Cassidy, John. "Donald Trump Is Attacking American Democracy at Its Core." *The New Yorker*, Sept. 2020. www.newyorker.com, <https://www.newyorker.com/news/our-columnists/donald-trump-is-attacking-american-democracy-at-its-core>.

¹⁸⁰ Ingraham, Christopher. "Analysis | The United States Is Backsliding into Autocracy under Trump, Scholars Warn." *Washington Post*, 18 Sept. 2020. www.washingtonpost.com, <https://www.washingtonpost.com/business/2020/09/18/united-states-is-backsliding-into-autocracy-under-trump-scholars-warn/>.

¹⁸¹ Kamarck, Elaine. "Did Trump damage American democracy?" *The Brookings Institution*, 09 July 2021. <https://www.brookings.edu/blog/fixgov/2021/07/09/did-trump-damage-american-democracy/>.

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 (CIA), and the Judiciary. During his Presidency, Trump lobbied the Federal Reserve to maintain low-interest rates in the hopes of sustaining positive economic growth. Likewise, Trump had a fraught relationship with the CIA, and both publicly and privately had difficulties accepting and maintaining intelligence.¹⁸² The president also called to "pack the courts" to vote in his political favor and used executive agencies for personal political means.¹⁸³ These actions are an overreach of the power of the American president and create new autocratic precedents within U.S. political culture.

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. The former president utilized polarization in American politics to his advantage. Democratic culture in the United States for many years has been suffering from hyperpolarization. Extreme polarization has been documented to coincide with a democratic decline in many countries.¹⁸⁴ Trump used hyperpolarization to demonize and delegitimize his political

¹⁸² Myre, Greg. "It's no secret: A CIA book looks at fraught relations with Trump." *National Public Radio*, 30 November 2021,

[npr.org/2021/11/30/1059921139/its-no-secret-cia-book-looks-at-fraught-relations-with-trump](https://www.npr.org/2021/11/30/1059921139/its-no-secret-cia-book-looks-at-fraught-relations-with-trump).

¹⁸³ Cohen, Marshall. "Chronicling Trump's 10 worst abuses of power." *CNN*, 24 January 2021, <https://www.cnn.com/2021/01/24/politics/trump-worst-abuses-of-power/index.html/>.

¹⁸⁴ McCoy, Jennifer and Press, Benjamin. "What Happens When Democracies Become Perniciously Polarized." *Carnegie Endowment for International Peace*, 18 January 2022, <https://carnegieendowment.org/2022/01/18/what-happens-when-democracies-become-perniciously-polarized-pub-86190>.

components. 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.¹⁸⁵ At some points, this became so serious that his supporters would yell “lock her up.”¹⁸⁶ This use of false rhetoric is incredibly damaging to the democratic process because it negates the validity of both current and past political opponents.

As individuals become more polarized, they are more susceptible to extremist politicians and are less able to discern the truth.¹⁸⁷ Polarization creates two groups that mutually dislike each other and are unable to compromise due to a lack of empathy and understanding. It creates a clear field for politicians to rise to power who claim to be the only solution to one of these groups' problems, and with extreme polarization, these politicians are often able to destroy carefully guarded normative institutions to achieve politically polarized goals. As polarization increases, both parties' median voters shift rightward and leftward, and a smaller window for compromise is created.¹⁸⁸ Income inequality is demonstrated to worsen polarization.¹⁸⁹ When segments of the population have increasingly divergent economic situations, it is easier for politicians to deepen social cleavages.¹⁹⁰ In Republican held districts, the median household income is \$53,000

¹⁸⁵ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

¹⁸⁶ Kilgore, Ed. “The End of Mueller’s Probe Renewed the Right’s Hillary Clinton Obsession.” *Intelligencer*, 26 March 2019,

<https://nymag.com/intelligencer/2019/03/gops-hillary-clinton-obsession-renewed-after-mueller-probe.html>.

¹⁸⁷ McCoy, Jennifer and Press, Benjamin. “What Happens When Democracies Become Perniciously Polarized.”

¹⁸⁸ “Political Polarization in the American Public.” *Pew Research Center*, 12 June 2014,

<https://www.pewresearch.org/politics/2014/06/12/political-polarization-in-the-american-public/>.

¹⁸⁹ Gu, Yanfeng and Wang, Zhongyuan. “Income Inequality and Global Political Polarization: The Economic Origin of Political Polarization in the World,” *Journal of Chinese Political Science*, (2021), <https://doi.org/10.1007/s11366-021-09772-1>.

¹⁹⁰ *ibid*

while in Democratic districts the median household income is \$61,000.¹⁹¹ In recent years this difference in income by party has been increasing, with poorer, rural areas voting distinctly Republican.¹⁹² Trump and the Republican party both engaged in this type of polarization to support falsehoods, such as the rejection of the 2020 election and calls to undermine executive institutions.

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.¹⁹³ The most infamous encouragement of violence during Trump's presidency was his encouragement of protesters to violently storm the capitol on January 6th.¹⁹⁴ The insurrection of the capitol on January 6th, 2021, was a demonstration of Trump's fundamental disregard for democratic norms, and the ability of his rhetoric to incite violence. The Republican party, along with a third of Americans, in some part supported the violent means of attack on the capitol.¹⁹⁵ This blatant rejection of free and fair elections is harmful to the United States' democratic culture.¹⁹⁶ Trump's dangerous rhetoric leading up to this event demonstrates his disregard for democratic institutions and a peaceful democratic transfer.

¹⁹¹ Muro, Mark and Whiton, Jacob. "America has two economies- and they're diverging fast." *The Brookings Institution*, 19 September 2019, <https://www.brookings.edu/blog/the-avenue/2019/09/10/america-has-two-economies-and-theyre-diverging-fast/>.

¹⁹² *ibid*

¹⁹³ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

¹⁹⁴ Naylor, Brian. "Read Trump's Jan. 6 Speech, A Key Part Of Impeachment Trial." *National Public Radio*, 10 February 2021, <https://www.npr.org/2021/02/10/966396848/read-trumps-jan-6-speech-a-key-part-of-impeachment-trial>.

¹⁹⁵ Morgan, Melissa. "The Legacy of January 6." *Stanford Freeman Spogli Institute for International Studies*, 5 January 2022, <https://fsi.stanford.edu/news/legacies-january-6>.

¹⁹⁶ *ibid*

Trump also employed rhetoric that demeaned civil liberties and criticized the free press. Since President Nixon, Trump has the most substantial track record in delegitimizing the opposition press.¹⁹⁷ Free journalism is critically important to maintain the quality of democracy. It allows for the 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 regularly threatened to sue press organizations such as the New York Times and the Washington Post, or any media that would criticize his presidency.¹⁹⁸ Trump's distrust of prominent media organizations aligns with his party, with 70 percent of Republicans holding an unfavorable view of the news media.¹⁹⁹ Trump often associated traditional, left-leaning media outlets, like the New York Times or CNN with the elite of the country. Those who consume left-leaning traditional print publications such as The New York Times and the Washington Post are more likely to be college educated and have higher incomes.²⁰⁰ While in comparison, online and social media sources are more likely to be consumed by individuals with lower incomes and less education.²⁰¹ Trump played into this divergent consumption of media sources to cast left-leaning, prominent news sources as delegitimate. He constantly undermined the credibility of critical journalism, and in doing so threatened the ability of

¹⁹⁷ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

¹⁹⁸ *ibid*

¹⁹⁹ "American Views 2020: Trust, Media and Democracy." *The Knight Foundation*, 04 August 2020, <https://knightfoundation.org/reports/american-views-2020-trust-media-and-democracy/>.

²⁰⁰ Kavanagh, Jennifer and Pollard, Michael. "Profiles of News Consumption: Platform Choices, Perceptions of Reliability and Partisanship," *Rand Corporation*, 2019, https://www.rand.org/content/dam/rand/pubs/research_reports/RR4200/RR4212/RAND_RR4212.pdf.

²⁰¹ *ibid*

the free press.²⁰² These behaviors are consistent with an authoritarian leader and facilitate the degradation of democratic institutions.

Xenophobia and Anti-Elitism in the Populist Movement

Besides Trump's authoritarian bent, at the forefront of the populist movement in the United States, he also employed 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.²⁰³ Trump used nativist rhetoric and installed policies that opposed immigration. These policies included the construction of the border wall and the separation of children from families along the border with Mexico.²⁰⁴ Like the populist movement in the United Kingdom, during the populist movement, much of the deindustrialization and economic loss was blamed on immigrants. The populist movement used the widespread concern about immigration, with in 2022, 28 percent of Americans believing immigration makes job opportunities worse, 30 percent believe immigration makes the economy worse in general, and 41 percent of Americans believe immigration makes taxes worse overall.²⁰⁵ In many of his campaign speeches, Trump stated, "They're taking your jobs. You better be careful," referring to immigrants.²⁰⁶

²⁰² Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

²⁰³ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*

²⁰⁴ "Family Separation under the Trump Administration – a Timeline." *Southern Poverty Law Center*, 23 March 2022,

<https://www.splcenter.org/news/2020/06/17/family-separation-under-trump-administration-timeline>.

²⁰⁵ "Immigration." *Gallup Polls*, 18 March 2022, <https://news.gallup.com/poll/1660/immigration.aspx>.

²⁰⁶ Blake, Aaron. "Trump warns GOP on immigration: 'They're taking your jobs.'" *The Washington Post*, 06 March 2014,

Trump often blames the poor economic conditions in the nation on the increase in immigration, primarily from South and Central America. The populist movement used concerns about rising immigration and the resulting changes in formerly homogeneous communities, especially those in the Midwest, and other formerly industrial areas. More homogenous areas have more difficulty accepting immigrants into their communities, compared to more diverse areas.²⁰⁷ The populist movement manipulated the fear of the unknown around immigration to justify the economic downturn of rural, and formerly industrial areas. The real plight of these areas comes from a change in trade policy, the fallout of the economic crisis, decrease investment in rural communities, and a reduction in welfare; all under the guise of neoliberal economic policy.

Trump played on underlying racist fear; some of this rhetoric included calling immigrants from Mexico “rapists” or failing to condemn the language of hate groups.²⁰⁸ 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 have echoed his ethnic-nationalistic sentiments.²⁰⁹ This has manifested in a rise of hate crimes.²¹⁰ Studies demonstrated that in countries where Trump won by larger margins

<https://www.washingtonpost.com/news/post-politics/wp/2014/03/06/trump-warns-gop-on-immigration-they-re-taking-your-jobs/>.

²⁰⁷ Guskin, Emily and Sacchetti, Maria. “In rural America, fewer immigrants and less tolerance.” *The Washington Post*, 17 June 2021,

https://www.washingtonpost.com/local/in-rural-america-fewer-immigrants-and-less-tolerance/2017/06/16/7b448454-4d1d-11e7-bc1b-fddb8359dee_story.html.

²⁰⁸ 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>.

²⁰⁹ Edsall, Thomas B. “Opinion | How Racist Is Trump’s Republican Party?” *The New York Times*, 18 March 2020, <https://www.nytimes.com/2020/03/18/opinion/trump-republicans-racism.html>.

²¹⁰ Gelfand, Vanessa Williamson and Isabella. “Trump and Racism: What Does the Data Say?” *Brookings*, 14 Aug. 2019, <https://www.brookings.edu/blog/fixgov/2019/08/14/trump-and-racism-what-do-the-data-say>

there was a distinct rise in hate crimes.²¹¹ Those who voted for Trump were more likely to express nativist views and support the ideology of a return to an Anglo-Saxon state.²¹² Like other populist leaders, Trump used ethnonationalism to bolster the importance of his presidency and his neglect of the democratic system. The ideas promoted through this thinking are anti-pluralistic and disregard the vision of democracy as a place that safeguards the equality of citizens.²¹³

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 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. Populism tends to undermine pluralistic ideas because it centers on one specific group, this group usually being ethnically or religiously homogeneous. Populist movements often claim this specific group has been undermined by the system, and in their grab for power, solely has ownership of the nation or government. This is an extremely anti-pluralistic view and undercuts the idea that every member of democracy has an equal say and voice.

²¹¹ Edwards, Sims Griffin and Rushin, Stephen. "The Effect of President Trump's Election on Hate Crimes," (2018) <http://dx.doi.org/10.2139/ssrn.3102652>

²¹² 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>.

²¹³ Jacobs, Lawrence R., and Joe Soss. "The Politics of Inequality in America: A Political Economy Framework."

Trump's nativist rhetoric was centered on the idea that immigration caused a loss of jobs and artificially lowered wages.²¹⁴ Trump and the populist movement used economic insecurity to galvanize support around an ethnonationalist movement. Those in the Rust Belt and other former industrialized places that faced economic distress both from the loss of manufacturing jobs and the Great Recession felt as if the social contract they had with the government had been broken. Trump had particularly significant wins in this region. In the 2016 and 2020 election Trump gained 2.63 million votes in "factory towns."²¹⁵ Specifically, in places where there was more than a 70 percent decline in manufacturing jobs Trump saw a marked increase in voter support in the 2020 election.²¹⁶ The ideas of liberal democracy were not embedded into the economic system, so populism was more able to take root. 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.²¹⁷ In the 2016 election, 86.5 percent of voters who preferred Trump agreed with the statement, "people like me don't have any say about what the government does."²¹⁸ This poll finds that those that believe the establishment government is outside of their reach resonated with Trump's populist message. This segment of the U.S.

²¹⁴ *ibid*

²¹⁵ Martin, Jonathan. "Democrats Lost the Most in Midwestern 'Factory Towns,' Report Says." *The New York Times*, 05 October 2021, <https://www.nytimes.com/2021/10/05/us/politics/democrats-votes-midwest.html>.

²¹⁶ *ibid*

²¹⁷ 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): 57–83.

²¹⁸ Mendelsohn, Joshua and Pollard, Michael S. "Rand Kicks Off 2016 Presidential Election Panel Survey." *The Rand Blog*, 27 January 2016, <https://www.rand.org/blog/2016/01/rand-kicks-off-2016-presidential-election-panel-survey.html>.

population felt left behind by the economic order in place and looked for a politician that would be able to represent their opinions and interests. This feeling of disenfranchisement among such a large portion of voters 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."²¹⁹ 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 society or politics is wrong and harmful.²²⁰ 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" in Washington.²²¹ Trump created a narrative that he was the extender of truth between the common people and the

²¹⁹ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

²²⁰ Soros, George. "The Capitalist Threat." *The Atlantic*, 1 Feb. 1997, <https://www.theatlantic.com/magazine/archive/1997/02/the-capitalist-threat/376773/>.

²²¹ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

political system and was solely able to destroy corruption, disregarding and delegitimizing the opinions and standings of other politicians.²²²

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" threatens journalism that provides accountability.²²³ 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 that 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 levels. But recognizing inequality and implementing redistributive economic reforms are different from demonizing the democratic system as corrupt due to elite control. Furthermore, Trump's actions in office often supported the elite class with tax cuts for the wealthy and

²²² Chotiner, Isaac. "Redefining Populism." *The New Yorker*, July 2021, <https://www.newyorker.com/news/q-and-a/redefining-populism>.

²²³ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

large corporations, he did not focus on redistributive efforts.²²⁴ Trump's administration was staunchly anti-elitist in rhetoric, but not in action. He used this anti-elitism to denigrate the free press and the long-standing democratic institutions.

Conclusion

Neoliberalism and free-market ideas contributed to 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.²²⁵ 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. 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. Financial deregulation and swift integration in the global economy 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 a society of social mobility and equality of opportunity, creating

²²⁴ Hendricks, Galen. "6 Ways the Trump Administration Is Rigging an Already Unfair Tax Code." *Center for American Progress*, 28 October 2020, <https://www.americanprogress.org/issues/economy/news/2020/10/28/492473/6-ways-trump-administration-rigging-already-unfair-tax-code/>.

²²⁵ Abdelal, Rawi., and Ruggie G., John. *The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism*

a system that perpetuates and increases levels of inequality. From this economic system, populist leaders like Donald Trump are born into power. Trump's presidency demonstrates the danger of the current economic regime. The dominant ideology of minimum regulation and government intervention in the economy can allow 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 used racism to break down the pluralistic nature of democracy. Trump's administration was recognized by many scholars of political science as dangerous to the United States' democracy. The degradation of United States democracy is not only a crisis for the nation, but the state of democracy globally, and the reigning philosophy of liberalism.

Chapter III

Case Study of The United Kingdom

Britain ruled as the most powerful country in the world from the late 16th century to the end of World War II. The United Kingdom has a storied and important history of democratic values. Its legacy of democracy unofficially begins in 1215 with the writing of the Magna Carta, which laid the foundation for the rule of law and due process.²²⁶ The Magna Carta created the building blocks for not only British democratic institutions but inspired democratic ideas in the United States and many other countries. However, in 2016, the referendum on the United Kingdom's membership in the European Union sent shockwaves across the world as it signaled the rise of a populist movement in the nation. As such a critical marker of democracy and political stability, the populist movement in the United Kingdom brought up questions of the fragility of democracy.

As a hegemon and leader of a global empire, the United Kingdom both coerced and encouraged other nations to adopt democracy. Both the United States and India's democratic systems were broadly influenced by the United Kingdom's. But the United Kingdom's democratic system and culture has important distinctions from the United States and India. Many scholars have argued that these distinctions have affected the United Kingdom's democratic resilience.

²²⁶ Lacatus, Cora and Oliver, Tim. "Eight centuries on from the Magna Carta, upholding the rule of law remains a challenge on both sides of the Atlantic." *London School of Economics*, 15 December 2015, <https://blogs.lse.ac.uk/usappblog/2015/07/08/eight-centuries-on-from-magna-carta-upholding-the-rule-of-law-remains-a-challenge-on-both-sides-of-the-atlantic/>

The United Kingdom's Democratic Resilience

The United Kingdom has been more resistant to democratic backsliding because it has stronger democratic institutions. The UK's parliamentary democracy, party system, and fierce democratic norms all contribute to its democratic resilience.²²⁷ The United Kingdom's lack of a codified constitution, democratic theorists Levitsky and Ziblatt find, has allowed the country to foster firm democratic norms and conventions.²²⁸ In the face of democratic backsliding these democratic norms are of the utmost importance.²²⁹ In the United States and India, both Trump and Modi have disregarded many norms, which allow for a slippery slope in the breakdown of democracy.

Secondly, the United Kingdom has allowed for less democratic reforms. In the United States, primaries determine elected officials, even down to the local level, rather than internal party nomination.²³⁰ In the United Kingdom, parties have more power in determining candidates, which moderates the politicians that run. Lastly, the United Kingdom's parliamentary democracy is ripe for coalition building.²³¹ Coalition building is demonstrated to limit the occurrence and fierceness of partisan warfare and can encourage compromise.²³² Though the United Kingdom faces polarization, the necessity for coalition building within the U.K.'s parliament decreases the risk of democratic backsliding stemming from hyperpolarization.

²²⁷ Fisher, Max. "U.K. Democracy, Tested by Brexit and Boris Johnson, Holds for Now." *The New York Times*, 05 September 2019, <https://www.nytimes.com/2019/09/05/world/europe/boris-johnson-british-parliament.html>.

²²⁸ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

²²⁹ Luhrmann, Anna and Merkel, Wolfgang. "Resilience of democracies: response to illiberal and authoritarian challenges." *Democratization*, vol. 28, no. 5., (2021): 869-884. DOI: [10.1080/13510347.2021.1928081](https://doi.org/10.1080/13510347.2021.1928081)

²³⁰ Pildes, Richard H. "How to Keep Extremists Out of Power." *The New York Times*, 25 February 2021, <https://www.nytimes.com/2021/02/25/opinion/elections-politics-extremists.html>.

²³¹ Fisher, Max. "U.K. Democracy, Tested by Brexit and Boris Johnson, Holds for Now."

²³² *ibid*

Though India also has a parliamentary democracy, its first-past-the-post voting system allows for parties that do not secure large majorities in terms of votes, to secure a significant majority in parliament. In the last election, the Bharatiya Janata Party (Modi's party) won only 37.5 percent of the vote but holds 55.8 percent of the seats in parliament.²³³ Before the BJP's electoral success, the National Congress Party dominated Indian politics. India's parliamentary system is not conducive to coalition building, and in turn, a two-party system with single party prominence has played out.²³⁴ This electoral pattern reduces the possibility of compromises and moderation, and therefore can increase polarization.

For both the United States and India, voter turnout in local states and localities is markedly lower than elections for Prime Minister and President.²³⁵ While this is also true in the United Kingdom, U.K.'s local politicians, and rank-in-file lawmakers are chosen by their political party.²³⁶ The lower voter turnout in India and the United States, without party moderation, leads to more extreme politicians holding local office. These extremist politicians shift the Overton window of political norms and can harm nationwide democratic culture.²³⁷ The United Kingdom has been able to be more resilient to populist politicians because of these specific strong institutions: the parliamentary system, norms and conventions and political parties.²³⁸ The United States, in an effort to be more democratic has reduced some of the gatekeeping in place used to moderate political

²³³ Blank, Jonah. "India's Democracy Is the World's Problem."

²³⁴ *ibid*

²³⁵ Luhmann, Anna and Merkel, Wolfgang. "Resilience of democracies: response to illiberal and authoritarian challenges."

²³⁶ Fisher, Max. "U.K. Democracy, Tested by Brexit and Boris Johnson, Holds for Now."

²³⁷ *ibid*

²³⁸ Luhmann, Anna and Merkel, Wolfgang. "Resilience of democracies: response to illiberal and authoritarian challenges."

parties and prevent political outsiders.²³⁹ India, on the same note, when writing its constitutions wrote a far reaching and liberal constitution, that did not force the creation of as fervent democratic norms as the United Kingdom.²⁴⁰ In both nations, the legislative system does not force the building of coalitions which makes partisan warfare more commonplace. For these reasons, we can understand how the United Kingdom has been able to be more resilient to democratic disruption than the United States and India. Though all three nations faced pressure on their democracies due to the economic conditions caused by neoliberalism, the United Kingdom was most able to withstand this turmoil.

Social Class in the United Kingdom

The United Kingdom's history of cemented social class has contributed to the instability of democracy, especially due to its continuing relevance in the modern era. Structured social class can curtail the compatibility of democracy and capitalism because it diminishes the ability of the meritocracy to function. Democracy, a system that favors equality and represents the will of the people to organize and power the government, can match capitalism, a system that allows all individuals based on their merit to become successful within the free market.²⁴¹ For capitalism to work efficiently, it requires equality of opportunity and the ability for all individuals to innovate. Without this open access, the

²³⁹ West, Darrell M. "Why We Need Political Moderation and How to Encourage It." *Cato Unbound*, 08 May 2019, <https://www.cato-unbound.org/2019/05/08/darrell-m-west/why-we-need-political-moderation-how-encourage-it/>.

²⁴⁰ Blank, Jonah. "India's Democracy Is the World's Problem."

²⁴¹ Amico, Laura. "Do Democracy and Capitalism Really Need Each Other?"

group which lingers at the top of the economic ladder is not those with the most talent and grit, but instead, those buoyed by the resources of their families.²⁴²

This outlines the dangers of class immobility and inequality in the democratic capitalist state. In the United Kingdom, economic immobility and the importance of class are infamous. A parliamentary study conducted in 2021 found that 62 percent of individuals in professional jobs came from privileged backgrounds, only 14 percent of students in selective schools were low income and that 56 percent of homebuyers under 35 receive financial support from their parents.²⁴³ Despite efforts at reform, the U.K. has little social mobility even today.²⁴⁴

The legacy of the monarchy and the landed gentry still seeps into the United Kingdom's society.²⁴⁵ Markers of class are somewhat obvious and simple, they can range from the accent an individual holds, whether it is a refined London accent, or a working-class cockney, to if an individual has a degree from Cambridge or Oxford.²⁴⁶ The storied difference between the "posh" Tory class of the United Kingdom, and the scrappy industrial working class continues to be a prominent narrative within British society.²⁴⁷ These distinct socioeconomic classes have shaped individuals' lives in the

²⁴² Cooper, Steven. "State of the nation 2021: Social mobility and the pandemic." (Social Mobility Commission: Presented to Parliament pursuant to section 8B(6) of the Life Chances Act 2010, London, 2021).

Machin, Stephen and Major Lee, Elliot. "How to improve social mobility." *London School of Economics*, 09 November 2019, <https://blogs.lse.ac.uk/businessreview/2019/11/09/how-to-improve-social-mobility/>.

Winchester, Nicole. "Report of the Social Mobility Commission 'Social Mobility and the Pandemic'" *UK Parliament: House of Lords Library*, 09 November 2021, <https://lordslibrary.parliament.uk/report-of-the-social-mobility-commission-social-mobility-and-the-pandemic/>.

²⁴³ Cooper, Steven. "State of the nation 2021: Social mobility and the pandemic."

²⁴⁴ Robson, David. "How important is social class in Britain today?" *The BBC*, 07 April 2016. <https://www.bbc.com/future/article/20160406-how-much-does-social-class-matter-in-britain-today>.

²⁴⁵ *ibid*

²⁴⁶ Hogenboom, Melissa. "What does your accent say about you?." *The BBC*, 09 March 2018, <https://www.bbc.com/future/article/20180307-what-does-your-accent-say-about-you>.

²⁴⁷ *ibid*

United Kingdom. Many in the United States accept the idea of “pulling yourself up by your bootstraps” and “log cabin to White House”. But, in the United Kingdom class immobility is more established.²⁴⁸ However, both the United States and the United Kingdom suffer from poor social mobility.²⁴⁹ In the United Kingdom, a son’s earnings are 50% dependent on their father’s earnings, and this is higher than in France, Germany, Sweden, Canada, along with other Western European countries.²⁵⁰ The immediate post-war era saw a decrease in class immobility, but neoliberal policies increased inequality and contributed to the structured class society. The success of an individual became more reliant on their parents’ wealth following the neoliberal reforms.²⁵¹ The class immobility in the United Kingdom has contributed to class resentment and economic discontent.²⁵² This is harmful to the United Kingdom’s democracy and has quickened the rise of populism in the nation.

The Creation of the United Kingdom’s Welfare State

Prior to World War II, there was significant wealth disparity in the United Kingdom. The war reduced much of the income inequality in the United Kingdom. Taxes

²⁴⁸ Alesina, Alberto, Teso, Edoardo, and Stantcheva, Stefanie. “How Closely Do Our Beliefs About Social Mobility Match Reality.” *KelloggInsight: Kellogg School of Management at Northwestern University*, 06 November 2018, <https://insight.kellogg.northwestern.edu/article/how-closely-do-our-beliefs-about-social-mobility-match-reality>.

²⁴⁹ *ibid*

²⁵⁰ Issacs, Julia B. “International Comparisons of Economic Mobility.” *The Brookings Institution*, 20 February 2008, https://www.brookings.edu/wp-content/uploads/2016/07/02_economic_mobility_sawhill_ch3.pdf.

²⁵¹ Blanden, Jo, Goodman, Alissa, Gregg, Paul and Machin, Stephen. “Changes in Intergenerational Mobility in Britain,” *CEE Discussion Papers: Center for the Economics of Education, London School of Economics*, 0026, (2002).

²⁵² Cassidy, John. “The Economic Case for and Against Thatcherism.”

were levied on the wealthy to support the war and for the rebuilding effort. These taxes diminished the wealth of aristocracy.²⁵³ Secondly, the destruction of the war wiped out much of the physical capital of the most affluent.²⁵⁴ The war changed the economic situation in the United Kingdom due to its somewhat leveling of household wealth.

World War II also led to a shift in the economic paradigm in the U.K. because the Nazi's rise to power was seen in some part as the consequences of voter expansion to a discontent and economically insecure working class.²⁵⁵ Without the proper social safety net and guardrails on democracy, fascism gained a foothold.²⁵⁶ With the United States guiding policy following the war, and much of Western Europe afraid of the same fate as Germany, Keynesian economics was implemented.²⁵⁷ Keynes helped to create many of the economic international institutions built during World War II and influenced the United Kingdom's road to recovery.²⁵⁸ With Keynes' influence, under the Labor administration following the war, there was the advent of the "welfare state" which was a mix of different national insurances.²⁵⁹ These included the creation of the National Health Service and the expansion of assistance for those that were unemployed.²⁶⁰ This was the so-called compromise of embedded liberalism. The new economic policy worked to

²⁵³ Piketty, Thomas. *Capital in the Twenty-First Century*.

²⁵⁴ *ibid*

²⁵⁵ Roselli, Alessandro. "Hyperinflation, Depression, and the Rise of Adolf Hitler,"

²⁵⁶ Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of Our Time*.

²⁵⁷ Jahan, Sarwat, Mahmud Saber, Ahmed and Papageorgiou, Chris. "What is Keynesian Economics?" *International Monetary Fund: Finance and Development*, vol. 51, no. 3, (2014).

²⁵⁸ Fontana, Giuseppe. "A History of Post Keynesian Economics since 1936: Some Hard (And Not so Hard) Questions for the Future," *Journal of Post Keynesian Economics*, vol. 27, no. 3 (2005).

²⁵⁹ "Britain Since 1945." *Britannica*, 2022,

<https://www.britannica.com/place/United-Kingdom/The-Tony-Blair-government-1997-2007>.

"Economic Recovery in Great Britain." *CQ Researcher*, 28 April 1938,

<https://library.cqpress.com/cqresearcher/document.php?id=cqresrre1938042800>.

²⁶⁰ Gamble, Andrew. "Privatization, Thatcherism and the British State," *Journal of Law and Society*, vol. 16, no. 1 (1998):1-20. <https://doi.org/10.2307/1409974>

ensure that the entirety of the population found that the economic system reflected the values of the United Kingdom's democracy and society.

Thatcherism and Neoliberalism

The post war compromise of embedded liberalism was weakened in the 1970s and 1980s because of the implementation of neoliberal policy. In the 1970s a swift increase in inflation harmed the United Kingdom's economy and forced a referendum on the welfare state.²⁶¹ Despite other factors contributing to inflation, like the oil crisis and low interest rates, Prime Minister Thatcher was elected on the promise to reduce inflation and the national debt through neoliberal measures.²⁶² She operated under the principles of austerity and enacted radical reforms to reduce inflation. Her philosophy was guided by the principles of self-responsibility and hard work.²⁶³ As the daughter of a grocer who relied on her own merits to become the first woman prime minister, Thatcher's ideology rested on her belief in self-reliance.²⁶⁴ Her economic policy, popular among the Conservative party at the time, was critical of the post-war economic order which included a high-income tax. During the 1970s, the highest rate income tax reached on earned income was 83 percent, under Thatcher it was slashed to 60 percent in 1980 and

²⁶¹ "Inflation: Please, not back to the 1970s." *Deloitte*, 20 September 2021, <https://blogs.deloitte.co.uk/mondaybriefing/2021/09/inflation-please-not-back-to-the-1970s.html>, Nelson, Edward and Nikolov, Kalin. "UK inflation in the 1970 and 1980s: the role of output gap mismeasurement." *Bank of England: Working Papers*, (2001).

²⁶² Cassidy, John. "The Economic Case for and Against Thatcherism." *The New Yorker*, 09 April 2013. <https://www.newyorker.com/news/john-cassidy/the-economic-case-for-and-against-thatcherism>.

²⁶³ *ibid*

²⁶⁴ McTague, Tom. "The Search for a Brexit-Era Margaret Thatcher." *The Atlantic*, 01 July 2019, <https://www.theatlantic.com/international/archive/2019/07/conservatives-look-margaret-thatcher-help/592972/>.

reduced to 40 percent in 1989.²⁶⁵ Thatcher also privatized many national industries such as the British Telecom, and British Airways, and broke up many labor unions.²⁶⁶

Fredrich Hayek, author of *Road to Serfdom*, largely influenced Thatcher's ideas of reducing government involvement in the economy. At the height of the Cold War, Thatcher rode the ideological wave which criticized government intervention in the economy. She was part of an economic school that pioneered neoliberal policies. Neoliberalism during this period was built on the ideas of liberal ideology; that the market should be free of the constraints of the government.²⁶⁷ Neoliberals wanted to unshackle the government from the economy and reduce the "central planning" that could cause "tyranny".²⁶⁸

Thatcher's economic policies reflected this economic philosophy. She rejected the idea that the government should provide a safety net for those in poverty and that full employment should be actively pursued. Thatcher's neoliberalism rejected the post war contract of embedded liberalism. It overturned the accepted ideology that the government should step in to reduce economic insecurity and favored self-reliance. In many ways, it ignored the confounding factors that could contribute to an individual's economic failure. Thatcher, similar to her counterpart in the United States, President Reagan, blamed poverty on the individual suffering from it rather than the environmental causes.

²⁶⁵ Manning, Alan. "The top rate of income tax." *London School of Economics*, 22 April 2015, <https://blogs.lse.ac.uk/politicsandpolicy/the-top-rate-of-income-tax-2/>.

²⁶⁶ Moore, John. "British Privatization- Taking Capitalism to the People." *Harvard Business Review*, February 1992, <https://hbr.org/1992/01/british-privatization-taking-capitalism-to-the-people>.

²⁶⁷ McWhorter, John. "When People Were Proud to Call Themselves 'Neoliberal'". *The Atlantic*, 30 May 2017, <https://www.theatlantic.com/business/archive/2017/05/history-of-neoliberal-meaning/528276/>.

²⁶⁸ Hayek, F. A.. *The Road to Serfdom: Text and Documents--The Definitive Edition*. (United States: University of Chicago Press, 2009).

Some may argue that Thatcherism, in conjunction with neoliberal policy, helped to reduce inflation, reduced the government deficit, and acted as the critically needed medicine for the United Kingdom's ill economy.²⁶⁹ Inflation both in the United States and in the United Kingdom was reduced during this period. Many economists argue that the policy of the central bank is the primary reason, rather than the austerity measures implemented. However, austerity in both the United States and the United Kingdom was politically popular, as it promoted measures that enforced self-reliability.²⁷⁰ Thatcher's policies assumed equality of opportunity existed within the United Kingdom but operated within a system where this was not the reality.

The post-war economic policies sought to reduce inequality and were more redistributive than previous economic policies had been in the history of the United Kingdom. High-income taxes and a large social safety net were implemented, but the 1980s neoliberal policy instituted austerity measures and disregarded the effect of class on the individual.²⁷¹

Financial Deregulation in the United Kingdom

The political instability in the United Kingdom today can be traced back to the economic policies implemented in the 1980s. These policies focused on selling off assets from the public sector, decreasing financial regulation, and shifting investment to high-productivity industries. Neoliberal economics removes the guardrails that are placed

²⁶⁹ Cassidy, John. "The Economic Case for and Against Thatcherism."

²⁷⁰ *ibid*

²⁷¹ Hilton, Matthew, Moores, Chris and Sutcliffe-Braithwaite, Florence. "New Times Revisited: Britain in the 1980s," *Contemporary British History*, vol. 31, no.2, (2017)., Temple, Luke. "Neoliberalism, austerity and the UK Media," *The University of Sheffield: Sheffield Political Economy Institute Brief*, no. 18 (2015).

on capitalism. The post-war economic boom led policy leaders to forget the dangers of deregulation created after the Great Depression. The Great Depression shepherded in new financial and banking regulations which sought to avoid market failure. But, in the 1980s as the United Kingdom financial sector was motivated to increase competition and profits, the “Big Bang” occurred. This series of deregulation in the late 1980s changed financial markets and made them more vulnerable to instability and crisis.²⁷²

Deregulation in the financial sector led to the creation of riskier assets, increased integration between the United States and Europe, and the breakdown of the separation between investment and commercial banks. Also, like the United States, it led to the merger of many smaller banks into larger organizations, creating a financial market precariously dominated by a few large firms.²⁷³ Following World War II the dominance of the United States in the international monetary system led to the increase in currency swaps between the United States and Europe. These currency swaps were implemented to stabilize the European currency and provide dollar liquidity to European banks. The United Kingdoms’ and the United States’ banking also became more integrated through the rating changes of interbank loans. In the 1980s, interbank loans had to be less capitalized and could be more highly leveraged than individual bank loans, creating incentives for cross-border banking. The deregulation of the 1980s created interdependence across borders in the banking sector.²⁷⁴ The “Big Bang” changed the financial landscape of the United Kingdom and cemented London’s place as a financial

²⁷² Jessop, Bob. “Margaret Thatcher and Thatcherism: Dead but not buried.” *British Politics*, vol. 10, 2015, pp. 16-30., Capie, Forrest, “Financial Deregulation in the United Kingdom, in *Financial Deregulation: A Historical Perspective*, ed. Cassis, Youssef and Drach, Alexis. (Oxford: Oxford Scholarship Online, 2021)

²⁷³ Capie, Forrest, “Financial Deregulation in the United Kingdom, in *Financial Deregulation: A Historical Perspective*.

²⁷⁴ Schenk, Catherine R. “The global financial crisis and banking regulation: Another turn of the wheel,” *Journal of Modern European History*, vol. 19, no. 1, (2021).

center. It also allowed for the mechanization of brokerage and quickened the pace of investment.

The policy also blurred the lines of rules between investment and retail banks. In the 1960s, due to regulations within the United States, dollars were pushed overseas to financial centers in Europe, including London.²⁷⁵ These regulations included the Glass-Steagall Act, which did not allow retail banks to use depositors' money to engage in risky activities in the United States. In the 1970s and the 1980s bankers in the United Kingdom and the United States lobbied for the further deregulation of the financial sector with increasing financial innovation.²⁷⁶ The advent of new securities and other popularized fee-based services increased profits for bankers at this time.²⁷⁷ Thatcher and her administration decreased the government's role in financial markets.

Economic theory backed much of the deregulation with ideas such as the efficient market hypothesis and broad risk spread becoming popular in economic circles. The efficient market hypothesis states that asset prices reflect all available information in the market.²⁷⁸ This hypothesis states that if the flow of information is unimpeded and this information is immediately reflected in stock prices, then the stock prices of tomorrow will only reflect the unpredictable news of tomorrow. This means that stock prices, as well as news, are unpredictable.²⁷⁹ This theory was originally used to support the idea of using broad-based index funds rather than relying on "expert" investors, but it was used during the period of deregulation to decrease the barriers put on banks in terms of their

²⁷⁵ De Grauwe, Paul. "The Banking Crisis: Causes, Consequences and Remedies." *Center for European Policy Studies: Policy Brief*, no. 178, (2008).

²⁷⁶ *ibid*

²⁷⁷ Schenk, Catherine R. "The global financial crisis and banking regulation: Another turn of the wheel,"

²⁷⁸ Malkiel, Burton G. "The Efficient Market Hypothesis and Its Critics." *Princeton University: Working Paper*, no. 91. (2003).

²⁷⁹ *ibid*

investing. Due to the assumption that security prices reflect all information available in the market, the idea of a bubble or a crash that was unpredictable or strongly detrimental was ignored.²⁸⁰

The careful lessons of the Great Depression were cast aside. Investors relaxed concerns about overvaluation or potential bubbles; they assured regulators that the markets would swiftly correct wrongly priced assets. This was incorrect, the bubble of 2008 created a financial crisis that has had long lasting devastating effects on the United Kingdom's economy. Per capita GDP is 7,7000 dollars lower than would be if not for the financial crisis.²⁸¹ It took five years for the United Kingdom to recover, and the economy experienced a 6 percent contraction in the economy.²⁸²

Prior to the crisis, financial innovation also motivated the deregulation in the financial sector. New complex structured financial products were introduced and were used throughout the banking world. Bankers lobbied the government, stating that complex financial markets lead to a better spread of risk and this overall reduced systemic risk. Rather than having one risky asset, complex securities such as the infamous collateralized debt obligation combined sometimes thousands of risky securities into one.²⁸³ This combination of risk was supposed to slice and spread risk among many different securities, minimizing the risk in the system.²⁸⁴

²⁸⁰ Chan, Sewell. "Financial Crisis Was Avoidable, Inquiry Finds." *The New York Times*, 25 January 2011, <https://www.nytimes.com/2011/01/26/business/economy/26inquiry.html>.

²⁸¹ Cribb, Jonathan and Johnson, Paul. "10 years on- have we recovered from the financial crisis?" *Institute for Fiscal Studies*, 12 September 2018, <https://ifs.org.uk/publications/13302>.

²⁸² *ibid*

²⁸³ De Grauwe, Paul. "The Banking Crisis: Causes, Consequences and Remedies."

²⁸⁴ Crotty, James. "Structural causes of the global financial crisis: a critical assessment of the 'new financial architecture'." *Cambridge Journal of Economics*, vol. 33, (2009): 563-580.

This new financial architecture existed with a globally integrated system with London and New York City serving as two of the world's most prominent financial centers. The political fall-out from the Great Recession was as severe in the United Kingdom as it was in the United States. While only a select few of Britons worked within the banking system, their actions affected the whole of the nation. In October of 2009, 93 percent of Britons blamed the financial crisis on bad regulation and 88 percent on the government. 74 percent of Britons stated that the banks must take a great deal of responsibility in the financial crisis.²⁸⁵ The deregulation of the banking system and profit-oriented actions of the bankers led to a breakdown in trust of the banking system. In 2018, ten years after the crisis, and two years after the Brexit vote, 66 percent of Britons stated that they do not trust banks to work in the best interests of society.²⁸⁶ The 2008 financial crisis had lasting consequences on the perception of the global and domestic banking system.

The global integration of banking was based on the idea of spreading risk; rather than having it centralized in one location, the risk was spread among banks globally. This idea ignored that banks were interconnected, from the roots of cross-border banking and currency swaps beginning in the 1970s, and the banking contagion in the roots of pushing riskier activities to London in the 1980s. Neoliberal ideology consistently supported that the banking sector could regulate itself; markets worked best when left to their own devices. Modern finance assumed that resources would land in the hands of those most

²⁸⁵ Glover, Julian. "Voters blame bankers- and everyone else." *The Guardian*, 20 October 2008, <https://www.theguardian.com/business/2008/oct/21/banking-recession>.

²⁸⁶ White, Lawrence. "British Public don't trust banks 10 years after crisis, survey finds." *Reuters*, 16 August 2018, <https://www.reuters.com/article/uk-britain-banks/british-public-dont-trust-banks-10-years-after-crisis-survey-finds-idUKKBN1L11EL>.

talented and able to handle risk, and the seeking of profit would cause banks to protect themselves from collapse.²⁸⁷

Despite this thinking, banks did not act with caution, and instead fervently lobbied for less government oversight and intervention. Following the crisis, in 2018, 72 percent of British adults stated that banks should have faced more severe penalties for this misaction which contributed to the crisis. Globally, since 2008, economic optimism has decreased. The swift economic fall out of the financial crisis has cast a gloom over the economic future with only 23 percent of British adults stating that their children will be better off financially than they are.²⁸⁸ The neoliberal banking deregulation of the 1980s and 1990s that greatly contributed to the financial crisis weakened many Britons' trust of the banking system and the competence of the government. It demonstrated a weakening of the compromise of embedded liberalism because it delegitimized markets.

Privatization, Industrialization, and Globalization

Along with banking deregulation, Thatcher's neoliberal policies focused on privatizing national industry. Shifting investment to productive industries rather than putting both government energy and money toward barely afloat industries can be an economically sound decision. In the long term and near short term, some of Thatcher's privatization efforts were key to jumpstarting the British economy.²⁸⁹ But, the shift from

²⁸⁷ Schenk, Catherine R. "The global financial crisis and banking regulation: Another turn of the wheel."

²⁸⁸ Stokes, Bruce. "A Decade After the Financial Crisis, Economic Confidence Rebounds in Many Countries." *Pew Research Center*, 18 September 2018, <https://www.pewresearch.org/global/2018/09/18/a-decade-after-the-financial-crisis-economic-confidence-rebounds-in-many-countries/>.

²⁸⁹ Cassidy, John. "The Economic Case for and Against Thatcherism."

nationalization to privatization, like in other nations, created significant short-term unemployment.²⁹⁰ Thatcher's economic policies increased unemployment from 3.3 percent in 1979 to 9.7 percent during her time in office (1980-1995).²⁹¹ Thatcher focused on closing down inefficient factories and improving the U.K. 's manufacturing productivity.²⁹² While this helped to yield a more productive industrial sector, it also caused mass unemployment and chronic joblessness. Rather than increase the supportiveness of the government during this time period, Thatcher decreased unemployment benefits and raised the standards to be eligible for unemployment support.²⁹³

Those previously employed in nationalized industries faced a loss of income during a period of austerity.²⁹⁴ Many industrialized cities in northern England faced large losses in manufacturing jobs which have created a continuing divergent economic path between the North and the South. In 1979 when the Conservative party won the majority of the government, nationalized industry was 10 percent of the economy and 14 percent of capital investment.²⁹⁵ Under Thatcher's tenure over 60 billion dollars of state assets were sold to the private sector, and the percentage of those employed in the public sector dropped from 9 percent to 2 percent.²⁹⁶ Similar to any privatization efforts, large structural adjustments can cause unemployment shocks and a change in income for those formally employed in state-supported sectors. While these shocks can be the unfortunate

²⁹⁰ *ibid*

²⁹¹ Cassidy, John. "The Economic Case for and Against Thatcherism."

²⁹² *ibid*

²⁹³ *ibid*

²⁹⁴ Jessop, Bob. "Margaret Thatcher and Thatcherism: Dead but not buried."

²⁹⁵ Butcher, Louise, Hough, David and Rhodes, Chris. "Privatization," *House of Commons Library*. Vol. 14, no. 61, (2014)., "Privatizing the UK's national industries in the 1980s." *Center for Public Impact*, 11 April 2016, <https://www.centreforpublicimpact.org/case-study/privatisation-uk-companies-1970s>.

²⁹⁶ *ibid*

inevitable consequences of privatization, they should be followed later with the economic growth promised by shifting the industry out of public hands. Neoliberal policy in the United Kingdom was short-sighted. Privatization contributed to enduringly economically distressed regions in the United Kingdom.

Manufacturing employment was not only hurt by privatization, but also by high-interest rates. High-interest rates were implemented to reduce inflation.²⁹⁷ However, they also had the consequence of making U.K. exports less competitive.²⁹⁸ The loss of manufacturing jobs specifically damaged towns and cities in the north of England, and these areas have not been able to fully recover.²⁹⁹ Job growth in cities has been consistently faster in the late 20th and 21st centuries than job growth in former industrial towns.³⁰⁰

Privatization, integration in the global economy, and increased interest rates all quickened deindustrialization. On top of this, those that retained their jobs in their manufacturing sector faced stagnating wages. The United Kingdom has experienced steady real GDP growth at approximately 2.5 percent per year and rising nominal wages.³⁰¹ Despite cheery numbers of overall rising wages, often at pace, or even faster than inflation, real wages of lower-skilled workers have not increased since the 1970s. Like the United States, real wages among highly educated workers in the United Kingdom have been rising, but in the late 1980s low skilled workers have faced a

²⁹⁷ Cassidy, John. "The Economic Case for and Against Thatcherism.

²⁹⁸ Beatty, Christina and Fothergil, Steve. "The Long Shadow of Job loss: Britain's Older Industrial Towns in the 21st Century," *Centre for Regional Economic and Social Research, Sheffield Hallam University*, (2020), <https://doi.org/10.3389/fsoc.2020.00054>.

²⁹⁹ *ibid*

³⁰⁰ *ibid*

³⁰¹ "Privatising the UK's national industries in the 1980s."

divergent path.³⁰² Highly skilled workers have benefitted from the shift in technology and global economic integration; their skills are highly sought in a globalized world, and they have become more productive with a change in technology. On the other side of the coin, until late 2018, low-skilled workers have had their wage levels stay relatively stagnant.³⁰³ This is the driving force of wage inequality, as higher-skilled workers have increased their productivity due to a shift in technology, this has not been matched among lower-skilled workers, although they have been more productive as well.³⁰⁴

Low-skilled workers in developed countries however are not only competing domestically but now face pressure internationally as well. This change in wages has been realized among manufacturing workers, with 49 percent of Britons in 2016 stating that globalization has pushed wages lower for British workers.³⁰⁵ Globalization and a change in technology have resulted in lower wages for domestic manufacturing because it is more efficient to produce abroad, or with increased automation domestically.

Following the 2008 recession, idle wages began to affect high skilled workers as well. The 2008 recession created a litany of economic issues in the United Kingdom, one being the halt of growth of real wages.³⁰⁶ Although productivity slightly slowed down following the recession, real wages still did not receive the expected increase from the gains in productivity during this period. As prices increased, wages remained the same

³⁰² Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

³⁰³ Cohen, Patricia, "Paychecks Lag as Profits Soar, and Prices Erode Wage Gains." *The New York Times*, 23 July 2018, <https://www.nytimes.com/2018/07/13/business/economy/wages-workers-profits.html>.

³⁰⁴ Autor H., David and Katz F., Lawrence. "Changes in the Wage Structure and Earning Inequality."

³⁰⁵ Watts, Joe. "Brexit Britain turns against globalization, blaming it for low UK wages and inequality poll reveals." *The Independent*, 10 December 2016, <https://www.independent.co.uk/news/uk/politics/globalisation-poll-low-wages-inequality-technology-comr-es-a7467491.html>.

³⁰⁶ Castle, Jennifer, Martinez, Andrew and Hendry, David. "The paradox of stagnant real wages yet rising 'living standards' in the UK."

and consumers' purchasing power decreased relatively.³⁰⁷ This along with the 2008 economic crisis in the United Kingdom has created an unsavory cocktail of economic anger and disappointment, especially among those in working-class communities. In the United Kingdom, the stagnation of real wages among unskilled workers has contributed to a wealth gap. The United Kingdom still is a class-structured society. Individuals not only face the consequences of globalization but are stuck within a society without upward mobility.

This story of deindustrialization has fueled the rise of the populist movement. Individuals who support the United Kingdom Independence Party, the political party on the forefront of the populist movement in the United Kingdom were found more likely to reside in deindustrialized towns and cities and to be low skilled workers.³⁰⁸ In general, Britons are wary of globalization with 51 percent of Britons in 2016 stating that globalization has led to more inequality between the rich and the poor, and 40 percent of Britons find that technology widens the gap between the rich and the poor.³⁰⁹ In conjunction, many Britons worry that increased integration in the global economy, including immigration has hurt the British economy and welfare state. Those in former manufacturing towns, concentrated in the north of England were more likely to be hostile to immigration, and believe that immigrants are a burden on the welfare system.³¹⁰

The economic distress due to deindustrialization and financial crisis has played out through anti-globalization and anti-immigrant attitudes. In 2021, only 42 percent of

³⁰⁷ *ibid*

³⁰⁸ Ayres, Steven. "The data suggests a connection between UKIP support, skills and immigration." *London School of Economics*, 13 October 2014, <https://blogs.lse.ac.uk/politicsandpolicy/common-threads-among-ukip-voters/>.

³⁰⁹ Watts, Joe. "Brexit Britain turns against globalization, blaming it for low UK wages and inequality poll reveals."

³¹⁰ <https://bfpg.co.uk/wp-content/uploads/2020/06/BFPG-Annual-Survey-Public-Opinion-2020-HR.pdf>

those in the northeast of England, an area which had broader support for “Leave”, found globalization to benefit their family, while 80 percent of Londoners found that globalization was beneficial.³¹¹ The populist movement used economic anger to fuel the exit from the European Union and the election of Boris Johnson. Rotherham, Wolverhampton, and Blackpool, all distressed former manufacturing centers, largely voted to leave the European Union, while areas that recovered from deindustrialization and the recession voted to remain.³¹²

Economic Inequality in the United Kingdom

Thatcher’s privatization efforts, deregulation, and the changing role of the United Kingdom in the global economy fueled wealth and income inequality. This inequality led to a disgruntled and economically disenfranchised segment of the British population and laid the foundation for a populist movement.

Populist movements and politicians can rise to power when the mass of citizens feel as if the system is working against them. In the north of the United Kingdom, and outside of metropolitan areas, the middle class lost their grasp on steady employment with livable wages, while watching the elite maintain their hold on both money and power.³¹³

³¹¹Aspinall, Evie and Gaston, Sophia. “UK Public Opinion on Foreign Policy and Global Affairs,” *British Foreign Policy Group*, 2021.

³¹²Austin, John C. and Westwood, Andy. “To counter extreme politics, revive global democracies’ Rust Belts.” *The Brookings Institution*, 08 April 2021, <https://www.brookings.edu/blog/the-avenue/2021/04/08/to-counter-extreme-politics-revive-global-democracies-rust-belts/>.

³¹³ Kellner, Peter. “Where UKIP gets its support,” *YouGov*, 24 February 2014, <https://yougov.co.uk/topics/politics/articles-reports/2014/02/24/where-ukip-gets-its-support>.

The historical importance of class in the United Kingdom quickened the rising populist anger. Structured class differences helped to cement the narrative of economic immobility and a shadowed elite with great power over the system.³¹⁴ The divergent lives of the wealthy and the working class only perpetuate the story that the elite maintain an unfair hold over the system and engineer it to work against the people.

This sentiment of class inequality and lower economic immobility is appropriate, since the 1990s in the United Kingdom, wealth inequality has steadily increased. The wealthiest 10 percent of households owned 43 percent of all the wealth in Britain in 2018 and 2020, while the bottom 50 percent of households held only 9 percent.³¹⁵ The richest 1 percent of households on average had 4.8 million dollars which is 230 times the wealth of the bottom 10 percent. The southeast of the United Kingdom, containing London, is the wealthiest region. The median wealth in the southeast is 675,275 dollars. In the northeast, the poorest region of the United Kingdom, the average household has assets of 221,810 dollars. This means that those in the northeast, on average, have a third of the assets of those in the wealthiest region.³¹⁶ In *Capital in the Twenty-First Century* by Thomas Piketty, Piketty outlines how wealth discrepancies can be even more important than income inequality.³¹⁷ Piketty finds that the return of the rate of capital is faster than the rate of growth of the economy.³¹⁸ This means that those that already hold assets fare better than those that benefit from the growth of the economy.

³¹⁴ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

³¹⁵ Romei, Valentina, "Wealth Inequality rises in Britain after decade of stability." *The Financial Times*, 07 January 2022, <https://www.ft.com/content/d52743ca-c669-4c71-941f-8281230a21b5>.

³¹⁶ *ibid*

³¹⁷

³¹⁸ Piketty, Thomas. *Capital in the Twenty-First Century*.

The regional wealth disparity that has emerged in Britain is not unique; when looking at both the United States and India, there are noticeable differences in regional wealth. Britain is most similar to the United States in this trend. In the United States and the United Kingdom, regions that once contained powerful industrial hubs now face a litany of social issues and poverty.³¹⁹ Deindustrialization and the consolidation of wealth have led to the breakdown of industry. The industrial hubs of both nations both have faced steady economic decline coupled with a political tide of populism and right-wing nationalism.

The Populist Movement in the United Kingdom

Populist movements can be defined by their anti-elite and anti-system sentiments. Cas Mudde states that “populism is a form of politics predicated on the juxtaposition of a corrupt elite with a morally virtuous people.”³²⁰ This corrupt elite is often focused on elected government officials and appointed ones, but can also include academics, journalists, and other famous or important actors within society. At first, populism can seem compatible with democracy because of its goal to return power to the people. But, in reality, populism is incongruent with liberal democracy. One, if the elite is inherently corrupt and controls the political system, then the political system itself and the democratic institutions alongside must be corrupt as well. Two, it often limits the people to a homogenous subset of the democratic civilian population.

³¹⁹ Austin, John C. and Westwood, Andy. “To counter extreme politics, revive global democracies’ Rust Belts.”

³²⁰ Mudde, Cas and Kaltwasser Rovira, Cristobal. *Populism: A Very Short Introduction*.

The questions deeply underlying the populist movement in the United Kingdom may have some truth, as the country becomes more integrated into the global arena, how can it focus on domestic questions of disunity and inequality? However, the movement has utilized racial tension and ethnonationalism to spring to power, adding instability to the political system, and in doing so, it has thrown a stable democracy off balance.

Often, populist leaders are voted into office, and using their popular mandate disregard pre-existing norms of democracy.³²¹ In the United Kingdom, a similar trend followed, with an elected official rewriting or disregarding some of the accepted norms of democracy for their benefit. In the U.K. the populist movement was led by many individuals.

Prior to the election of Boris Johnson, the first major manifestation of a populist uproar in the United Kingdom was the referendum on the United Kingdom's membership in the European Union. The European Union does not align with nationalist-populist ideology. It encourages immigration, a loss of nationality, and a loss of sovereignty from the people to a set of international bureaucrats.³²² While members of the European Parliament are elected, members of the European Commission and the European Central Bank have little accountability to member states.³²³ The European Union symbolizes the United Kingdom's loss of global power; instead of independently acting on the world stage, as part of the European Union, the United Kingdom must act along with a group of other countries whose interests are different from its own.

³²¹ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

³²² Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

³²³ *ibid*

The vote to leave the European Union (EU) was an early marker of the populist movement and the breakdown of democratic stability in the United Kingdom. Leaders of the “Leave” movement capitalized on the anti-immigrant sentiment in the United Kingdom to promote the campaign. In 2014 and 2015, leading up to the Brexit vote, immigration was one of the chief concerns of British voters.³²⁴ Anti-immigrant sentiment in the United Kingdom has three main focal points: rising Islamophobia and intolerance of migrants from the Middle East, North Africa, and Eastern Europe.³²⁵ Britons also held resentment towards immigrants from inside the EU. These immigrants’ search for economic opportunity has the perceived effect of pushing down wages and negatively affecting low-wage jobs.³²⁶ 61 percent of Conservative Britons who voted to leave the European Union stated in 2020 that migrants take jobs away from other Britons.³²⁷ The leader of the “Leave” campaign, Nigel Farage, head of the United Kingdom Independence Party regularly used anti-immigrant and ethnonationalist rhetoric to promote Brexit.³²⁸ Similar to Donald Trump, he called for a return to an older idea of the United Kingdom, where English was spoken more commonly. The campaign also used racial images to stroke ethnonationalism and Islamophobic sentiment.³²⁹

³²⁴ “David Cameron: EU referendum claim fact-checked.” *The BBC*, 19 September 2019, <https://www.bbc.com/news/uk-politics-49753420>.

³²⁵ Mason, Rowena and Stewart, Heather. “Nigel Farage’s anti-migrant poster reported to police.” *The Guardian*, 16 June 2016, <https://www.theguardian.com/politics/2016/jun/16/nigel-farage-defends-ukip-breaking-point-poster-queue-of-migrants>.

³²⁶ Alden, Edward, interview by McBride, James, *Greenberg Center for Geoeconomic Studies*, Council on Foreign Relations, 29 June 2016. <https://www.cfr.org/interview/what-brexiteer-reveals-about-rising-populism>

³²⁷ <https://bfp.co.uk/wp-content/uploads/2020/06/BFPG-Annual-Survey-Public-Opinion-2020-HR.pdf>

³²⁸ Shirbon, Estelle. “Triumph for ‘Brexiteer’ Nigel Farage, British scourge of the EU.” *Reuters*, 24 June 2016,

<https://www.reuters.com/article/us-britain-eu-farage-triumph/triumph-for-brexiteer-nigel-farage-british-scourge-of-the-eu-idUSKCN0ZA2JT>

³²⁹ *ibid*

Brexit proponents campaigned on the idea that the European Union was composed of a group of elites with no accountability or loyalty to the British people that worked to serve themselves. Rather than improving the economic livelihood of the people of the United Kingdom, the EU used previous government resources and allowed for low-skilled workers to flood the few middle-class jobs still available. The ethnic-nationalist argument posited that the EU entangled Britain into immigration policies that allowed for the free flow of migrants and these migrants differed so much from “British” people that it was slowly eroding the culture and nature of the country.³³⁰ Ethnonationalism plays into the populist idea that democratic power should only belong to one subset of people; these people are often designated as the majority group or the disaffected voters.

Johnson’s Populism

Following the Brexit vote in 2016, and two prime ministers later, Boris Johnson landed on Downing Street. Johnson, like many leaders of populist movements, is charismatic and friendly, anti-elitist, and at many times intolerant of immigration and diversity.³³¹ Johnson is not as decisively authoritarian or illiberal as Modi and Trump. Much of his rhetoric is layered in liberal ideas, promoting education and free thought, but his tenure as prime minister has revealed his autocratic tendency.³³² The United Kingdom’s long history of democratic culture and strong two-party system in many ways have moderated Boris Johnsons’ autocratic tendencies and disregard for democratic

³³⁰ Armstrong, Paul. “Nigel Farage: Arch-euroskeptic and Brexit ‘puppet master’.” *CNN*, 15 July 2016, <https://www.cnn.com/2016/06/24/europe/eu-referendum-nigel-farage/index.html>.

³³¹ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

³³² Mounk, Yascha. “What Boris Johnson Did to the World’s Most Stable Democracy.”

norms. However, using Eichengreen's framework of classifying a populist, Johnson can be at many times defined as anti-elitist, anti-immigrant, and authoritarian in his rhetoric and policy.³³³

Johnson, former mayor of London, rode to power on the promise that he would help the United Kingdom follow through on its referendum vote of leaving the European Union.³³⁴ Though a member of the elite himself as an alum of Eton College and a politician, Johnson's flamboyant and candid personality captured the popularity of the UK electorate and the conservative party.³³⁵ Johnson, unlike Trump and Modi, flirts with the ideas of liberalism.³³⁶ But, similar to other populist leaders Johnson uses nativist and nationalist language.

An ethnonational state is so dangerous to the stability of a democratic nation because of its inherent anti-pluralist nature. The most recent tide of populism has blamed immigration, refugees, and globalization for some of the economic distress in the United Kingdom. This is a tactic that was also employed in the United States and in India. Integration in the European Union has opened the British economy to an influx of both immigrants and refugees. The United Kingdom experienced a change in demographics with a simultaneous economic crisis and decrease in domestic manufacturing.

These economic conditions manifested in a wave of populist anger harbored at elites and immigrants, producing a powerful populist movement. The story crafted

³³³ Eichengreen, Barry J. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

³³⁴ McTague, Tom. "The Minister of Chaos." *The Atlantic*, 7 June 2021, <https://www.theatlantic.com/magazine/archive/2021/07/boris-johnson-minister-of-chaos/619010/>.

³³⁵ *ibid*

³³⁶ Mounk, Yascha. "What Boris Johnson Did to the World's Most Stable Democracy." *The Atlantic*, 28 August 2019, <https://www.theatlantic.com/ideas/archive/2019/08/boris-johnsons-radically-undemocratic-maneuver/596983/>.

carefully by populist leaders such as Nigel Farage and Boris Johnson began to unfold clearly. The economic disarray experienced by many Britons wasn't imagined, it was real, and it had a clear group to blame: cosmopolitans in London and other urbanized areas, who wanted to expand immigration, become more and more part of Europe, and who worked in white collar jobs with exorbitant salaries.³³⁷

Xenophobia and Populism

The recent political movement in the United Kingdom on the right, spearheaded largely by Boris Johnson and Nigel Farage, can be recognized as populist. Brexit's anti-elite and anti-institutional sentiment captures many Briton's frustrations with the "system". Those who voted in favor of Britain leaving the European Union were more likely to express both nativist and anti-elitist sentiments.³³⁸ Political experts inside the United Kingdom preceding Brexit thought the referendum would allow for voters to voice their anti-immigrant sentiment, or as Prime Minister Tony Blair famously said at the time, "lance the boil" of nativism.³³⁹ Prior to the referendum, increasing immigration from Northern Africa and the Middle East due to rising conflict further instigated nativist attitudes stemming from often racism or intolerance.

The "Leave" campaign saw the instrumentalization of fear-mongering often in the form of islamophobia. Terrorism attacks in 2015, 2016, and 2017 stoked anti-immigrant

³³⁷ Alden, Edward. *Greenberg Center for Geoeconomic Studies*. By McBride, James.

³³⁸ Iakhnis, Evgeniia, Brian Rathbun, Jason Reifler, and Thomas J. Scotto. "Populist Referendum: Was 'Brexit' an Expression of Nativist and Anti-Elitist Sentiment?" *Research and Politics*, vol. 5, no. 2 (2018).

³³⁹ "David Cameron: EU referendum claim fact-checked."

fear in the United Kingdom, and sharpened Islamophobic rhetoric.³⁴⁰ The “Leave” campaign utilized slogans such as “taking back control” or “enough” to demonstrate Britain's attitude towards the increase in asylum seekers and migrants.³⁴¹ A poll conducted in 2022 found that more than half of Leave voters (55.7 percent) state that “Islam threatens the British way of life.”³⁴² Those most often depicted in the Leave campaign ads were non-white, centering these ideas around an ethnonational tilt. In 2020 a poll found that 47 percent of Britons, across party lines, would be unwilling to accept an increased number of immigrants from Pakistan and Saudi Arabia.³⁴³ This contrasts with countries with perceived “white” immigrants, such as Canada and Australia, with only 8 percent of Britons unwilling to accept an increased number of immigrants from these places.³⁴⁴

While immigration may not be critical to a healthy and functioning democracy, pluralism is. Nativism and ethnonationalism threaten the success and stability of democracy. Populism acts intending to restore political power to the people. However, populists define “the people” as a subgroup of the entire population. In recent right-wing populist movements, this group is often white and views themselves as more British or more American than their non-white counterparts.³⁴⁵ This distinction harms the democratic process because it lessens the importance of these non-white citizens and sees

³⁴⁰ Jones, Stephen. “University of Birmingham survey reveals Islamophobia is the posh person’s prejudice.” *University of Birmingham*, 4 January 2022, <https://www.birmingham.ac.uk/news/2022/university-of-birmingham-survey-reveals-islamophobia-is-the-posh-persons-prejudice>., “Islamophobia: Understanding Anti-Muslim Sentiment in the West.” *Gallup Polls*, 2011, <https://news.gallup.com/poll/157082/islamophobia-understanding-anti-muslim-sentiment-west.aspx>.

³⁴¹ Mason, Rowena and Stewart, Heather. “Nigel Farage’s anti-migrant poster reported to police.”

³⁴² Jones, Stephen. “University of Birmingham survey reveals Islamophobia is the posh person’s prejudice.”

³⁴³ Gaston, Sophia. “UK Public Opinion on Foreign Policy and Global Affairs.” *British Foreign Policy Group*, 2020.

³⁴⁴ *ibid*

³⁴⁵ Liddiard, Patrick. “Is Populism Really a Problem for Democracy?”

them as less crucial to the fabric of the democracy. At its core, the most recent populist movement denigrates democracy because it disagrees with the sentiment that all citizens are equal.³⁴⁶

For democracy to fairly represent the voice of the people and to function with stability, every citizen must have the ability to vote and participate in the democratic process; this includes linkage institutions, through protest, education, etc. As right-wing nativist rhetoric seeps through society, it creates ethnic-nationalistic rhetoric in the economic arena; this limits equality of opportunity, and in doing so reduces innovation and progress. Racism through a xenophobic lens is not only harmful on a relative moral level, but it endangers the procedures of democracy, undermines the critical institution of pluralism, and the foundational inclusion of all citizens in the political process.³⁴⁷ The “Leave” campaign and Boris Johnson’s rise to the role of Prime Minister utilized both Islamophobic attitudes and anti-immigrant sentiment to become more popular. It scapegoated economic anger onto migrants both from the Middle East and Africa, as well as less wealthy Baltic countries within the European Union. Stagnating wages and an economic recession sharply changed the livelihood of many Britons, especially low-wage workers in the north, and the Leave campaign weaponized this economic anger to propel the populist movement.

Johnson himself is not as openly anti-immigrant or inflammatory as former President Donald Trump but appeals to his right-wing base with anti-immigrant policies

³⁴⁶ Blank, Jonah. “India’s Democracy Is the World’s Problem.”

³⁴⁷ Liddiard, Patrick. “Is Populism Really a Problem for Democracy?” *The Wilson Center: History and Public Policy Program*, August 2019, https://www.wilsoncenter.org/publication/populism-really-problem-for-democracy?gclid=Cj0KCCOiAoY-PBhCNARIsABcz772DIe6i0KVPFMHXP39m7a3AD6dDiOOmQWsE9jb2XBnGrzQlAMCX8aAqO6EALw_wcB.

and rhetoric.³⁴⁸ In early 2022, Johnson helped to sponsor an agenda that introduced the Nationality and Borders Bill. This legislation criminalizes asylum seekers who take unsanctioned routes and also discusses the idea of creating offshore housing for migrants seeking asylum.³⁴⁹ The bill also allows the government to remove British citizenship from dual citizens without their notice or consent and makes it easier for the government to deport any foreign national within the United Kingdom.³⁵⁰ Alongside this anti-immigrant policy, Johnson has used strident and at times racist rhetoric when discussing immigration and non-Anglo Saxon Britons.

Johnson once referred to women who wore burqas, a type of dress that some Muslim women wear, as “letterboxes” and that they, “looked like bank robbers” and was openly opposed to the wearing of face-covering in public places.³⁵¹ The prime minister has also criticized migrants entering the United Kingdom, calling migrants “stupid” and “criminals” for engaging in a dangerous crossing of the water between the United Kingdom and France. These types of racial dog whistles are dangerous because they set the precedent for racist rhetoric and intolerance within the broader population.

A larger example of this is following the English national football team's defeat in the Euro league soccer cup. Black players faced vitriol racist attacks.³⁵² Initially, after this event, Johnson declined to condemn the racist comments, and even initially referred to those that kneeled as a means of protest during the football tournament as engaging in

³⁴⁸ Mounk, Yascha. “What Boris Johnson Did to the World’s Most Stable Democracy.”

³⁴⁹ Lothian-McLean. “Boris Johnson Is Revealing Who He Really Is.” *The New York Times*, 10 January 2022, <https://www.nytimes.com/2022/01/10/opinion/boris-johnson-britain-bills.html>.

³⁵⁰ *ibid*

³⁵¹ “Boris Johnson faces criticism over burka ‘letter box’ jibe.” *The BBC*, 6 August 2018, <https://www.bbc.com/news/uk-politics-45083275>.

³⁵² Landler, Mark. “Boris Johnson Finds Himself in a Quandary over Racism and Sports.” *The New York Times*, 18 June 2021. <https://www.nytimes.com/2021/07/18/world/europe/boris-johnson-racism-uk-soccer-euro-2021.html?>

disrespectful, “gesture politics”.³⁵³ Johnson only criticized the racism surrounding the football tournament when it was better politics for him and his party. The bottom line surrounding Johnson’s rhetoric is that it enables more harmful behaviors among his constituency and brews polarization as well as intolerance. Following Brexit, hate crimes rose in the United Kingdom, and although terrorist attacks perpetrated by Muslims garner more attention, hate attacks targeted against Muslims have been on the rise in the United Kingdom as well.³⁵⁴

Pressure on Democratic Norms

Johnson also has used hyperpolarization, and conflict surrounding the United Kingdom’s exit from the European Union to undermine democratic norms. This played out in 2019 when Boris Johnson used the power of prorogation to suspend Parliament for five weeks.³⁵⁵ A prorogation is a procedural event that occurs in parliament ahead of a Queen’s speech. The Prime Minister formally asks the Queen to suspend parliament, usually for one or two weeks. When prorogation occurs the House of Commons and Lords cannot meet, debate, pass legislation or discuss any sort of government policy.³⁵⁶ However, the prorogation that occurred in October 2019 was for five weeks and occurred with political motivation to suspend the parliament to continue crafting a Brexit deal without the input of members of parliament.

³⁵³ *ibid*

³⁵⁴ Bergmann, E. “The Third Wave: The International Financial Crisis and Refugees,” *Neo-Nationalism*, (2020):131-207.

³⁵⁵ Fleming, Thomas and Schleiter, Petra. “Should the government be able to suspend parliament?” *London School of Economics*. 20 July 2020. Blogs.lse.ac.uk, <https://blogs.lse.ac.uk/politicsandpolicy/should-the-government-be-able-to-suspend-parliament/>

³⁵⁶ R (on the application of Miller) (Appellant) v. The Prime Minister (Respondent) Cherry and others (Respondent) v. Advocate General for Scotland (Appellant) (Scotland). UKSC 41, Supreme Court, (24 September 2019).

The United Kingdom's lack of a codified constitution only enlarges the role in democratic norms and conventions play in the United Kingdom's democracy.³⁵⁷ In general, the breakdown of democratic norms is one of the key features and causes of democracies sliding into autocracy.³⁵⁸ Johnson's suspension of the parliament acted intending to bypass negotiations with members of parliament to construct a Brexit deal. This trade deal is critically important to the United Kingdom, so it is crucial that members of parliament, who are the democratically elected representatives, can negotiate and express their opinions on the deal.³⁵⁹ The suspension of parliament is also dangerous because it creates a new precedent for the use of a procedural rule for the political benefit of the executive. It negates the ability of the parliament to hold the prime minister accountable.

Ziblatt and Levitsky write in *How Democracies Die*, that the violation of long-held norms in democracies allows for leaders to quickly become autocrats without the notice of their fellow statesmen.³⁶⁰ Johnson explicitly stated that he hoped to sidestep parliament when drafting the Brexit deal.³⁶¹ The prime minister proposed that he was acting within the interest of the people, while the members of parliament were not. This rhetoric is the most pressing threat that populism poses to democracy. The elected leader states that "they alone, stand for the people", and in doing so they can delegitimize and cast aside the existing democratic institutions, or opposing political voices.³⁶² In Linz's analysis of democracy, he finds that denying the legitimacy of political opponents is one

³⁵⁷ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*. United Kingdom: Crown, 2018.

³⁵⁸ *ibid*

³⁵⁹ Goodfellow, Maya. "Boris Johnson's Government is Built on Cruelty." *The New York Times*, 01 April 2021, <https://www.nytimes.com/2021/04/01/opinion/uk-immigration-boris-johnson.html>.

³⁶⁰ Ziblatt, Daniel., Levitsky, Steven. *How Democracies Die*.

³⁶¹ Mounk, Yascha. "What Boris Johnson Did to the World's Most Stable Democracy."

³⁶² *ibid*

of the key markers of the slide into autocracy.³⁶³ While Boris Johnson may not hold the same ambitions as Maduro or Mussolini, in manipulating the democratic system to cement himself as an autocrat, his suspension of the parliament casts away long-held democratic norms. Johnson's use of his electoral mandate to disregard these norms threatens British democracy.

But, during this critical episode, the United Kingdom Supreme Court ruled the prorogation was found to be unconstitutional and did not allow parliament to be suspended for five weeks.³⁶⁴ In part, this demonstrates the United Kingdom's democratic resilience to the populist movement and the strength of the democratic norms in the country. Boris Johnson's rogue acts as prime minister have not been accepted in the U.K.'s political culture on the same scale those of Donald Trump were.³⁶⁵ The democratic history within the United Kingdom and the ability of both the Labor and Conservative party to moderate Boris Johnson have been powerful tools in preventing significant democratic backsliding from occurring in the United Kingdom.

But, the leadership of Boris Johnson still demonstrates some threatening markers of autocracy, and the populist movement in the United Kingdom has engendered legislation that is anti-democratic in nature. In early 2022, parliament introduced legislation that diminishes the ability to protest and jeopardizes the rights of some minority groups. The new legislation is called the Police, Crime and Sentencing bill. It allows for the police to shut down any protest that causes serious disruption, and

³⁶³ Wynia, Gary W. "The Breakdown of Democratic Regimes." Juan J. Linz, Alfred Stepan *Vol. 1: Crisis, Breakdown, and Reequilibration*.

³⁶⁴ R (on the application of Miller) (Appellant) v. The Prime Minister (Respondent) Cherry and others (Respondent) v. Advocate General for Scotland (Appellant) (Scotland). UKSC 41, Supreme Court, (24 September 2019).

³⁶⁵ Mounk, Yascha. "What Boris Johnson Did to the World's Most Stable Democracy."

individuals that violate the police's actions could receive prison sentences or large fines.³⁶⁶ Furthermore, the bill has provisions on trespassing which threaten the nomadic lifestyle of Gypsy and Roma communities, an established minority within the United Kingdom, which have faced persecution for centuries. On the same note, it increases the ability of the police to stop and search suspected criminals. Stop and Frisk, an infamous policy that lowered the bar for the evidence needed to search suspicious individuals, led to the targeting of minority groups in the United States, namely Black and Latino Americans, without yielding a large reduction in crime, or in catching criminals. Civil rights advocates worry that a similar result will occur in the United Kingdom and alienate the minority communities. These policies denigrate the pluralistic culture of the United Kingdom and negate the democratic norm of equality.

Conclusion

We can easily paint a picture in our minds to understand how right-wing populism became prominent in the United Kingdom. Neoliberal economic policies, implemented to promote economic growth, contributed to economic insecurity and discontent. Financial deregulation and the loss of manufacturing jobs fueled the disbelief that the system was broken. Populism rests on the idea that the elite are in control of the government and use their power only to benefit themselves, instead of serving both the country and masses.³⁶⁷ For those in the north of the United Kingdom, hurt by austerity measures, deindustrialization, and the financial crash of 2008, this narrative felt true. These regional

³⁶⁶ Lothian-McLean. "Boris Johnson Is Revealing Who He Really Is."

³⁶⁷ Mudde, Cas and Kaltwasser Rovira, Cristobal. *Populism: A Very Short Introduction*.

and nationwide wealth inequalities created economic discontent among the working class.

The movement to leave the European Union was born out of this desire to disentangle the United Kingdom from the global economy. The “Leave” campaign used the economic hardship to fuel xenophobic anger. Following the Syrian war and the ensuing refugee crisis, there was increased refugee and migrant flow to the United Kingdom, and more generally into Europe. The Eurozone’s open market policy, which was meant to minimize unemployment and maximize labor efficiency, helped to create the perception that migrants were “stealing” jobs from United Kingdom citizens.³⁶⁸ The xenophobic narrative also used Islamophobic rhetoric to lobby against the acceptance of refugees. Studies have demonstrated that more homogenous areas react more strongly to a change in their demographics.³⁶⁹ Areas that were largely white and non-diverse in the United Kingdom faced larger instances of nativism; they were less able to accept refugees into their societal fabric.³⁷⁰

The “Leave” movement and the United Kingdom Independence Party, led by Nigel Farage, rose to power on the wave of nativist sentiment that called to establish the United Kingdom as independent of global integration.³⁷¹ Johnson, who rose to power as prime minister on this populist wave, often cast aside democratic conventions and in doing so threatened the stability of democracy in the United Kingdom. But the stable two-party system and the historical democratic culture created a buffer that mostly rebuked Johnson’s efforts. Furthermore, though Johnson acts as a populist and is part of a

³⁶⁸ Alden, Edward. *Greenberg Center for Geoeconomic Studies*. By McBride, James

³⁶⁹ Guskin, Emily and Sacchetti, Maria. “In rural America, fewer immigrants and less tolerance.”

³⁷⁰ *ibid*

³⁷¹ Shirbon, Estelle. “Triumph for ‘Brexit’ Nigel Farage, British scourge of the EU.”

distinctly nativist populist movement, he unquestionably supports and promotes liberal democracy through his actions and international partnerships.³⁷² But, the United Kingdom's populist movement demonstrates the fragility of democracy. Democracy is vulnerable when a large portion of the population is economically discontent. The economic policy of neoliberalism continues to undermine the social contract between the government and the people. To protect both domestic and internal liberal democracy, policy must be changed so liberal ideas are embedded within the economy. The United Kingdom serves as a critical democratic power. It's vital to make an effort to reinstitute the compromise of embedded liberalism not only to protect democracy in the United Kingdom, but also within Europe.

³⁷² Marr, Andrew. "The Brutal Truth of Boris Johnsons' Conservative Party." *The New York Times*, 7 February 2022, <https://www.nytimes.com/2022/02/07/opinion/international-world/boris-johnson-conservatives.html>.

Conclusion

The United States' role as a beacon of democracy is not only important to the self-interest of the U.S. but it is also 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 authoritarian 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. To continue to promote the ideas of liberal democracy, which at its core recognizes 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 before 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 that 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 that will facilitate democracy and capitalism to coexist.

The United Kingdom is arguably the oldest democracy out of these three nations and has a critical role on the European continent. The recent wave of populism in the nation shook the world in demonstrating how even the most stable of democracies can falter. Alongside the United States and India, the United Kingdom is diverse and multinational, and its role as a liberal democracy is vital in supporting global democracy. While the U.K. has strong democratic resilience it should continue to amend its economic policies. The lessening of inequality and effort to increase social mobility will stabilize the democratic system in the United Kingdom.

The ideas explained in Polanyi's Great Transformation of 1945 continue to be relevant today. If capitalism is to exist within the United States, India, and the United Kingdom, and be propagated 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, Trump, and Johnson use economic devastation and racism to rise to power. Once in power, their anti-elitist and nationalistic rhetoric helped to facilitate the breakdown of 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. Markets must enjoy social legitimacy to work within a democracy and this cannot happen in a system that allows for stratifying inequality or widespread economic discontent. By embedding the liberal ideas of democracy into the economic system, democracy will be more sustainable. This has far-reaching implications in the battle between autocracy and democracy on the global stage.

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