# Dual Threat to Democracy: Neoliberalism and Meritocracy

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## *Abstract*

Globally, there is a rise in populism and a growing threat to democracy, even among western liberal democracies. These are also market-based societies that have idealized the concept of meritocracy, which, coupled with neoliberal free market capitalism, has resulted in a rapid rise in income and wealth inequality. These factors have resulted in social dysfunction in the form of erosion of our social fabric and decreased political trust. In this essay, I showcase how the last four decades of neoliberal capitalism, the myth of meritocracy, and subsequent rising inequality has eroded our



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faith in democracy, particularly in US and UK, and given rise to populism in western countries.

Keywords: Neoliberalism, Meritocracy, free market, populism

***Résumé***

À l'échelle mondiale, on assiste à une montée du populisme et à une menace croissante pour la démocratie, même dans les démocraties libérales occidentales. Ces dernières sont également des sociétés fondées sur le marché qui ont idéalisé le concept de méritocratie, ce qui, associé au capitalisme néolibéral de libre marché, a entraîné une augmentation rapide des inégalités de revenus et de richesses. Ces facteurs ont entraîné des dysfonctionnements sociaux sous la forme d'une érosion de notre tissu social et d'une diminution de la confiance politique. Dans cet essai, je montre comment les quatre dernières décennies de capitalisme néolibéral, le mythe de la méritocratie et les inégalités croissantes qui en ont résulté ont érodé notre foi dans la démocratie, en particulier aux États-Unis et au Royaume-Uni, et ont donné naissance au populisme dans les pays occidentaux.

Mots-clés : Néolibéralisme, méritocratie, marché libre, populisme

## Background

The global rise in populism and growing threat to democracy has impacted even the so-called "bastion of democracies"– western liberal democracies (Zmerli, & Van der Meer, 2017). Michael Sandel, the Harvard Philosopher, argued in his book "*What money can't buy: the moral limits of markets"* (Sandel, 2012) that over the last forty years, we have moved away from a society with a market economy to a market society. The implication is that initially, the market was a powerful tool for distributing goods and services, but it did not encompass the entire society. Instead, large parts of our lives, such as our sense of civic duty, community participation, and reciprocity, operated outside market principles. However, gradually we have become a market society where everything is 'valued.' Jean-Jacques Rousseau once said, "the politicians of the ancient world were always talking of morals and virtue; ours speak of nothing but commerce and money" (Rousseau, 1761). How true is this statement in today's world of technocratic capitalism and governance?

This market-based society has also fostered a false prophet of meritocracy (Sandel, 2020), coupled with neoliberal free market capitalism, resulting in a rapid rise in income and wealth inequality. This has resulted in social dysfunction in the form of erosion of our social fabric, increased job insecurity, and a proliferation of mental health issues. (Wilkinson & Pickett, 2009; Ho, 2009). It has also led to a justified "double movement" (Polanyi, 1944), a resentment among many citizens of the developed world, impacting the belief in democratic systems and lowering political trust (Dalton, 2017; Torcal, 2017).

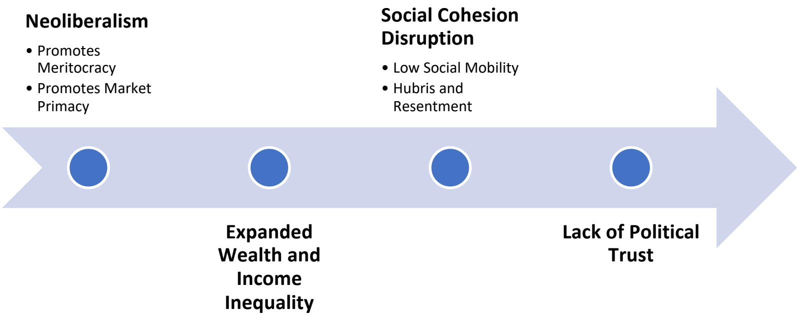
In this policy brief, I showcase how neoliberal capitalism, the myth of meritocracy, and rising inequality have eroded our faith in democracy. The objective will be to demonstrate how these factors contributed to the deterioration of democracy in selected developed countries.

## Methodology

I use a multi-case design with multiple embedded units (Yin, 2017, page 96). The two core cases are the US and UK, with embedded unit analysis on the financial sector. To analyze these two cases, I employ a comparative sequential research method, which calls for systematically comparing two or more historical sequences with temporal and spatial contexts (Falleti & Mahoney, 2015). In this case, I compare countries in the Anglosphere and continental Europe regarding their application of neoliberal policies and their subsequent impact on inequality. The following causal graph (Rick and Liu, 2018) illustrates the critical causal process I am trying to capture (see Figure 1).

**Figure 1**

The Impact of Neoliberalism and Meritocracy on Political Trust




In Figure 1, I showcase how neoliberalism, which entails faith in meritocracy, results in inequality (wealth and income), disrupting social cohesion. This fractionalization and polarization ultimately lead to a lack of political trust in the democratic process and institution. There are limitations to this research design. This brief represents exploratory research using qualitative research methods. Furthermore, the paper primarily focuses on US and UK, particularly the neoliberal period, i.e., starting in the 1970s. The causal graphic (Figure 1) does not imply that this applies to other countries. There is evidence that political trust is in decline in many developed countries, and in some cases, it may be due to cultural diversity and immigration (Green, Janmaat, & Chang, 2011). My analysis in this brief does not preclude the prospect of such alternative pathways.

Instead, I wish to establish the plausible hypothesis outlined in Figure 1 for US and UK within the neoliberal period.
Neoliberalism is a political and economic concept that believes human well-being can be best achieved in an institutional structure characterized by free market/trade where liberated individuals with maximal freedom freely engage in transactions (Harvey, 2007). It is an "unholy alliance between neoclassical economics, which provided most of the analytical tools, and what may be called the Austrian-Libertarian tradition, which provided the underlying political and moral philosophy" (Chang, 2002). It is unholy because Hayek, a key figure in the Austrian-Libertarian tradition, strongly opposed the conclusion of neoliberalism and did not believe that the free market promoted merit (Chang, 2002; Sandel, 2020). However, meritocracy provides the moral legitimacy and foundation of neoliberal ethos (Littler, 2017).

## Rise of Neoliberalism

The elections of Thatcher and Reagan after 1979 are considered the start of the neoliberal era (Harvey, 2007). During this period in the US and UK, in which the economy was impacted by the global oil shock and stagflation, the government introduced severe austerity programs with curtailment of social welfare, deregulation, privatization, and dismantling of the post-World War 2 welfare state (Chang, 2002; Harvey, 2007). An integral part of this neoliberal paradigm (both in the US and UK) is the faith in a meritocratic society, i.e., with individual dynamism and initiative, one can attain social mobility progress (Green et al., 2011). This contradicts the views of one of neoliberalism's intellectual fathers, Friedrich von Hayek. Hayek (1960) rightly points out:

> a society in which it was generally presumed that a high income as proof of merit and a low of the lack of it, in which it was universally believed that position and remuneration corresponded to merit…would be much unbearable to the unsuccessful ones than one in which it was frankly recognized that there was no necessary connection between merit and success. (p. 86)

Thus, we see even Hayek, who believed in market primacy, wanted to stress that market allocation was a function of demand and supply and did not showcase merit or moral desert. Otherwise, this leads to resentments among the have-nots and hubris among the rich. The situation is further exacerbated when the economy's structure is such that it results in increased inequality, which is precisely what happened during the neoliberal era.

## Rise in Inequality

Inequality rose in the aftermath of electoral defeats of political parties that espoused regulated or state-led capitalism, particularly in the English-speaking developed economies or Anglosphere, by conservative political parties who advocated a "neoliberal" approach (Steger, 2009). During the golden age of capitalism, i.e., post-World War 2, there was a decline in inequality, high growth rate, and social mobility in developed countries (Steger, 2009). However, after 1979, with the rise in conservative governments across English-speaking countries, mainly US/UK, we see a rapid rise in inequality. This has been validated by Piketty and Saez (2013) in their seminal research on inequality, where they tracked the top 1% share of total income over 100 years (1900-2010) across Anglophone countries: US, UK, Canada, Australia, New Zealand, Ireland, and non-Anglophone developed countries, such as France, Japan, Germany, etc. Their research indicates a clear difference between Anglophone and Non-Anglophone countries; till about 1980-85 there is a steady decline but after that trend between the two set of countries diverge: the anglophone show rising inequality while the non-Anglophone do not. Further research indicates that over the last 30 years, the wage differential between the 90$^{th}$ and 10$^{th}$ percentiles has increased mainly in the UK, US, and Australia, but Sweden, France, and Finland have had the lowest increases (Hills, 2010; Jalil, 2016). According to the Institute of Policy Studies, between March 18, 2020 and April 22, 2020 – the peak COVID crisis – the wealth of the top 1% of Americans increased by $308 billion, while 26 million American workers were left unemployed (Kelly 2020). Thus, this comparative historical trend shows that inequality has increased in the countries following neoliberal policies. As indicated before, rising inequality may lead to hubris among the rich and resentment among the disadvantaged. The following section discusses empirical research that supports this hypothesis.

## Hubris and Resentment

Sandel (2020) argues that one of the significant downsides of meritocracy is that it generates hubris among the rich, who start having a negative opinion about the poor. This kind of mentality even extends to developing countries. Madeira et al. (2019) recently conducted a systematic review of 33 psychological evaluation studies around meritocracy. They define it as “a worldview, or ideology, that broadly embraces the idea that equal opportunities exist, allowing upward social mobility” (p. 2). The authors found that winners in a meritocratic society tend to have negative evaluations and stereotype low-status groups; the findings were statistically significant (Madeira et al. 2019). The meta-analysis confirms that the rich or successful have negative views or look down upon the less fortunate, which Sandel calls hubris. We see an example of this in Thomas Friedman, an American political commentator and Pulitzer Prize winner who is also a strong proponent of neoliberal globalization.
Friedman (2004) argued that anti-globalizers have no justification and are comparable to Luddites; their aim for autarky impossible. According to him, free market globalization is an unstoppable phenomenon, and there is no way to retreat. In the article mentioned above, he tries to show empathy towards those suffering to ride the tide of globalization but argues that it cannot be stopped, it will be challenging, and they must adapt. The 2016 elections in US and UK have proven that globalization is neither inevitable nor unstoppable. And it is precisely such elitist disregard for the “backlash group” or “the wounded gazelles,” as the author calls them, that resulted in the seismic political shift in 2016 (UK and US). This is in line with Sandel’s (2020) argument that because of the liberal faith in meritocracy, the elites have lost touch with the ordinary people suffering in this neoliberal and ‘meritocratic’ society.

This kind of hubris leads to resentment and polarization. In a micro-study by Newman, Johnston, and Lown (2015), the authors used the national representative attitudinal survey undertaken by the Pew Research Centre and county-level inequality measure (Gini) by American Community Survey to investigate faith in meritocracy and inequality. They studied whether belief in meritocracy varies between highly unequal local counties from those that are more equal. They found that in highly unequal counties, the gap between low-income and high-income residents in their belief in meritocratic ethos statistically increases, i.e., leads to more polarization as opposed to more equal counties. Thus, this study confirms that even at the micro-community level, an increase in inequality results in divergent views on meritocracy and leads to polarization: the rich believe it because it provides them with the moral foundation for their position and, more importantly, absolves their responsibilities (beyond voluntary charity) towards the less fortunate. If our success were not only because of our merit but because of how society was structured, we would indeed have less hubris about our success and humility towards others.

Karen Ho, an American anthropologist and global finance and economics reporter for Quartz, undertook a penetrating ethnographic analysis of Wall Street. Her research indicates that in the bastion of capitalism, market, and meritocracy and that what is passed off as meritocracy is an “entanglement of elitism” and hubris (p. 62). A “pay for performance” culture with a “winner takes it all” mentality creates a culture divorced from ethical or social good (p. 253). The book also exemplifies that the Wall Street employees believe they deserve the fund/salary they get, even though computation of bonus seems abstract at best. Since Wall Street is supposedly hyper “meritocracy” and “market-oriented,” Ho’s rich ethnographic research generates two important findings. First, behind every meritocracy, there are non-merit-based advantages. Second, how such a culture of market and “winner takes it all” model undermines democratic ethos and the public good. She showcases that similar hubris is present in other financial markets, an argument supported by authors such as Taleb (2005). Snowdon (2014) argues that inequality breeds a lack of trust and creates shame and humiliation among the so-called “losers.” Major and Machin (2019) find that US and UK have one of the worst social mobility in the developed western world. They argue it is because of opportunity hoarding by the rich and institutional structure that biases the “rules of the game” in favor of the rich that creates this decline. This reinforces that we are not living in a meritocratic society where there is a level playing field.

These findings have implications for political debate as it indicates that as neoliberal policies promote inequality, then concurrent promotion of meritocratic virtue will create more resentment and antagonism among those residing at the bottom and create hubris among the rich. Sandel (2020) discusses the emergence of the 'rhetoric of rising' since the 1980s in the US and UK, followed by other countries. The argument goes that the free market broadly gives everyone equal opportunity to compete. Thus, market outcomes reward merits, and people can rise "as far as their talents will take them" (Sandel, 2020, p. 23). This is entirely against what Hayek argued above. Gladwell (2008) points out similarly that our conception that individual hard work results in success is deeply flawed; highly successful people have a lot of things working for them, including economic background, the act of kindness, supportive cohort, or mentor.

## Political Trust

With rising inequality, most people are being left behind, and social mobility is coming to a halt. Furthermore, we have a moral philosophy that argues that those that are being left behind are devoid of merit. Thus, the market outcome is "just"; this is a damming indictment against the population. Therefore, it is not a surprise that the resentment gave rise to the elections of 2016 (Trump in the US and Brexit in the UK). Elites were shocked by the results, but given the above discussion, it is a surprise that it took so long for the resentment to boil over.

According to PEW research, in 1958, 73% of Americans had trust in Government; in 2020, the figure was close to 17% (Dimock, 2020). This is not only due to neoliberalism, but it is undoubtedly a contributing factor. We see a similar trend in the UK with a downward decline in trust in government and dissatisfaction. Drawing on the quantitative survey, such as Gallup Polls and British Election Study, and qualitative data from mass observation archives, Jennings et al. (2017) find that the current state of popular views of politics has taken an increasingly negative and cynical turn. There is a high degree of distrust of the political system (constitutional monarchy) and the politicians. The authors argue that people feel that the politicians are self-serving and represent the interest of the elites rather than the majority. Jennings et al. (2017) find that during the height of the neoliberal period, government disapproval went from below 40% in the late 1970s to close to 80% by the mid-1990s. They also show a decline in trust in the government during the period, which has continued.

From the abovementioned findings, we can see that disapproval and trust in government have also diminished in Britain. Thus, we see that both in the UK and US, the rise of neoliberalism and meritocratic hubris has impacted social cohesion and thereby diminished public trust in the democratic process.

Bukodi and Goldthorpe undertook a quasi-experimental study using the case of Hungary (which was moving from state planning to a capitalistic market economy) to test the hypothesis that whether the market mechanism is aligned with meritocracy as functional imperative" (MFI) or "market versus meritocracy" (MVM). They argued that MFI predicts capitalism rewards merit; hence, both systems are aligned. MVM, on the other hand, drawing on Hayek (1960), states that the market is efficient in matching demand and supply but not merit, which is a normative concept. They conclude that the Hungarian data shows that capitalism is aligned with MVM and not MFI. The finding might explain the rise of hubris among the 'haves' and resentment among the "have-nots."

We have promoted a market economy or transformed our society into a market society (Sandel, 2012), but we have also promoted the ethos of meritocracy, i.e., MFI. Hence our market society has two values that contradict – capitalism objectively leading to MVM, while we propagate MFI. This tension and contradiction are bound to create antagonism and rhetoric of resentment instead of rising.

## Conclusion

In this brief, I have laid out a case as to how neoliberal policies, with their embedded meritocratic myth, have not only resulted in increased inequality and diminished social mobility but, in turn, have also fractured our society. Using US and UK as illustrative case studies, as the bastion of neoliberal meritocratic ethos, I have shown how inequality has disproportionately increased in these societies. Further, I discussed how research indicates that the policies were embedded with a normative value system around meritocracy, which argued that the market gave an opportunity to everyone, and hence everyone could go as far as their talent took them. The implication was that the rich “deserve” to be rich while the poor, because they lack “merit,” deserve to be poor. This harsh indictment on the majority, as with growing inequality, the majority were the “have-nots,” created a culture of resentment among most while creating hubris among the rich. This polarisation in belief systems is impacting the democratic process in US and UK.

There may be other reasons for the decline in trust in government. Green et al. (2011) find additional explanations for the decline in political trust among the various cohorts of democracies: liberal democracies (US/UK) are struggling with social cohesion because of the failures in their meritocratic ethos, but cultural identity and ethnic diversity are the fundamental cause for social disharmony among the Social Market societies (France/Germany). Only among the social democratic countries (Nordic) do they see a rise in political trust. The arguments used in this brief apply primarily to the US and UK, but they may also apply in varying degrees to other economies. Countries trying to bring about a structural transformation of their society to a market society may learn from the above case study on US and UK.

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