

# The International Liberal Foundations of Democratic Backsliding

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## *Abstract*

Common wisdom holds that international economic integration and democracy are intimately intertwined. Yet, significant debate persists about whether integration is good or bad for democracy. Although earlier research supposed that international economic integration would promote democracy, this view has increasingly been contested. While some research finds a positive effect of international integration on democracy, others find that international integration has had deleterious effects for democracy. We argue that the effects of international integration on the fate of democracy are conditional on whether executives in office espouse pluralist, democratic or anti-pluralist, autocratic values. When political parties in power are not committed to democracy, they are able to capture international integration to pursue strategies of incremental executive aggrandizement with deleterious effects for democracy. We test the empirical implications of our theory with a mixed-methods approach that combines a large-n quantitative comparative analysis of democratic backsliding in 97 democracies from 1992-2021 with a typical case study to trace the underlying causal mechanisms of the theory. The findings indicate a robust positive correlation between international integration and democratic backsliding in democratic contexts ruled by aspiring autocracy. These findings have important implications for democracy in an integrated world.

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## Introduction

Recent years have witnessed significant concern about democratic backsliding. Resulting from the actions of duly elected governments, the incremental deteriorations of democratic institutions, rules, and norms have affected democracies around the globe. The January 6, 2020 insurrection, in which an armed mob stormed the U.S. Capitol to overturn a presidential election with support from the president himself was a hallmark moment for the U.S., showing that the weakening of democracy has not only affected weakly democratic systems, but presents a formidable challenge even to formerly stable liberal democracies; including some of the oldest in the world.

Given the significance of these events, a substantial body of comparative research describes and explains patterns of democratic backsliding (Bermeo 2016; Levitsky and Ziblatt 2018; Linz 1978; Waldner and Lust 2018). Concerns over democratic backsliding have also revived a long-standing debate about the role and influence of international economic integration. Although much of the early work focused on the beneficial effects of international integration on democratization, the recent theoretical debate has become much more polarized, with some arguing that international integration facilitates democracy while others argue that it has no effect or even deleterious effects.<sup>1</sup>

Contrary to claims that integration is on balance either supportive or detrimental to democratic rule, we argue that the effects of international integration on democratic backsliding and potential democratic breakdown inherently depends on the political values and incentives of executives in government. While integration can promote healthy democracies when leaders espouse pluralist values and aspire to promote democratic norms and institutions, it creates powerful political opportunities for aspiring autocrats—elected political actors in democratic regimes that are only “semi-loyal” to democratic norms, values, and institutions—to pursue executive aggrandizement. Aspiring autocrats in office can use the material benefits from continuous international economic engagement to pursue strategies of executive aggrandizement. The inflow of additional resources (through foreign aid and loans, foreign direct investment, and trade), enables aspiring autocrats to increase their legitimacy over and above what would be possible in the absence of integration, to buy political support from relevant elites and citizens, and deter political opponents. At the same time, they can use populist rhetoric to politicize the failures of economic integration (increasing inequality, economic crises, migration, etc.), stir anti-globalization sentiments, and delegitimize their opponents. These seemingly contradicting strategies of engaging materially and disengaging rhetorically allows aspiring autocrats in power to build and maintain a sufficient support basis on which they can expand their executive power; oftentimes in incremental manner that reduces the

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<sup>1</sup> See, for example, Acemogly and Robinson (2006); Dahl (1999); Rudra (2005); Keohane, Macedo and Moravcsik (2009a); Rodrik (1997, 2012); Meyerrose (2020); Milner and Mukherjee (2009); Bollen, (1983); Boswell (1990); Gasiorowski (1988); Li and Reuveny (2003); Pevehouse (2002a, 2002b, 2005); Ezrow and Hellwig (2014); Schneider and Thomson (2023); Hellwig (2015); Kelemen (2017, 2020).

likelihood that democratic backsliding is detected and counteracted until the damage to domestic institutions is well underway. In short, international economic integration provides aspiring autocrats with a powerful toolkit in the campaign to undermine democratic institutions at home to consolidate their power.

A large-n analysis of 97 liberal and electoral democracies from 1992 to 2021 demonstrates a robust positive association between international integration and democratic backsliding. Supporting our conditional theory, the positive relationship between international integration and democratic backsliding becomes stronger when anti-pluralist forces in government prevail. Our findings are robust to different conceptualizations of democracy, democratic backsliding, and democratic breakdown, as well as alternative operationalizations of political and economic integration, placebo tests, and alternative model specifications including an instrumental variable approach and a spatio-temporal autoregressive distributed lag model. Since the large-n analysis does not allow us to test the underlying theoretical mechanisms, we present a case study of Hungary. This typical case illustrates some of the processes leading to democratic backsliding in a highly integrated global economy and provides additional support for the underlying causal mechanisms that link integration to democratic backsliding.

The findings shed new light on the polarized debate on the relationship between international integration and democracy by highlighting the conditions under which integration can be exploited for autocratic purposes. Understanding the way how international integration shapes democracy is particularly important because economic integration has been a central component of the so-called U.S.-led Liberal International Order (LIO) to promote democracy. The findings also contribute to the emerging comparative literature on democratic backsliding, which has focused on domestic explanations such as the role of social and political polarization (Cinar and Nalepa 2022; Haggard and Kaufman 2021a, 2021b; Svolik 2020), political institutions (Helmke, Kroeger, and Paine 2022), ethnic fragmentation (Rovny 2023), democratic values (Grillo and Prato 2023), and the political agency of domestic actors (Arriola, Devaro, and Meng 2021; Bartels 2023; Grumbach 2022; Mainwaring and Pérez-Liñán 2014; Vachudova 2020).

Finally, our findings speak to the debate about the effects of economic integration on the rise of populist and especially far right governments.<sup>2</sup> Scholars have explored the public backlash to international integration, and the ability of populists to politicize international integration to help them win votes and get elected into office (Ballard-Rosa, Goldstein, and Rudra 2023; Broz, Frieden, and Weymouth 2021; Colantone and Stanig 2018a, 2018b; De Vries, Hobolt, and Walter 2021; Dellmuth et al. 2022a, 2022b; Farrell and Newman 2021; Galston 2017; Goldstein and Gulotty 2019; Lake, Martin, and Risse 2021; Mansfield and Rudra 2021; Milner 2021; Rodrik 2012). Our analysis builds on these important insights and follows a long tradition in comparative politics emphasizing that political elite actors rather than structural conditions decide the fate of

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<sup>2</sup> For recent summaries of this literature see Walter (2021), Norris and Inglehart (2019), and Mansfield, Milner, and Rudra (2021).

democracy (Bartels 2023; Bermeo 2016; Linz 1978; Mainwaring and Pérez-Liñán 2014). While these works suggest that integration into the LIO may propel aspiring autocrats into power in the first place (a possibility we address empirically below), we highlight how aspiring autocrats, once in elected office, can deliberately utilize their integration into the LIO to pursue strategies of executive aggrandizement with debilitating effects for democracy. This also explains why many aspiring autocrats do not withdraw from international economic and political engagement at the rates that their anti-globalization rhetoric would suggest. With this, we provide new evidence on how anti-liberal political forces can bring about democratic backsliding using key features of international integration.

## **The End of the Cold War as Triumph of Democracy?**

Since World War II, the United States has aimed to contribute to peace and security by promoting a liberal international order (LIO).<sup>3</sup> At its core were efforts to spread economic and political liberalization using strategies and tools including the promotion of democratic elections and norms of good governance, participation in international organizations, and economic and financial integration. For many, the end of the Cold War marked the triumph of liberalism over its communist competitors (Fukuyama 1992). Existing and newly independent states around the world looked West, renounced communism and totalitarianism, and embraced political and economic liberalization. Democracies and autocracies alike became integrated into this U.S.-led LIO.<sup>4</sup>

Western leaders hoped that if they encouraged their integration into the global economic and multilateral system, more regimes would be incentivized to implement meaningful reforms that would lead them on the path of democratization, and further stabilize democracy. But even though the end of the Cold War saw an unprecedented wave of democratization around the world, and scholars found evidence that economic integration and membership in international organizations contributed to democratization,<sup>5</sup> democracy did not triumph. To the contrary, democracy as a system of governance and a social principle is under the gravest threat since the 1930s. Figure 1 graphs the number of countries that experienced a period of substantial and sustained decline in the quality of democratic institutions (democratic backsliding, solid line) versus a substantial and

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<sup>3</sup> We are mindful that there are many contested definitions of the Liberal International Order (LIO). For a recent discussion of the LIO and its challenges see the 75th Anniversary Special Issue of International Organization (Lake, Martin and Risse 2021). Here we adopt the definition provided by Lake et al. (2021), which includes but is not limited to the principles of “American-led,” “open,” and “rule-based”. It includes the free movement of goods and capital; human equality; multilateralism and collective security and is dynamic, exhibiting different features across time and space. At its core is the term “integration”.

<sup>4</sup> Appendix A illustrates the declining gap between autocracies and democracies in terms of international integration after the end of the Cold War.

<sup>5</sup> See footnote 1 for the relevant literature.

sustained increase in the quality of democratic institutions (democratization, dashed line).<sup>6</sup> The end of the Cold War witnessed a significant increase in the number of countries with improvements in democratic quality. But at the same time, democratic and hybrid regimes became more likely to experience democratic backsliding.<sup>7</sup> The trends toward democratic backsliding, while accelerating after the global financial crisis in the 2010s, became especially apparent after the end of the Cold War.

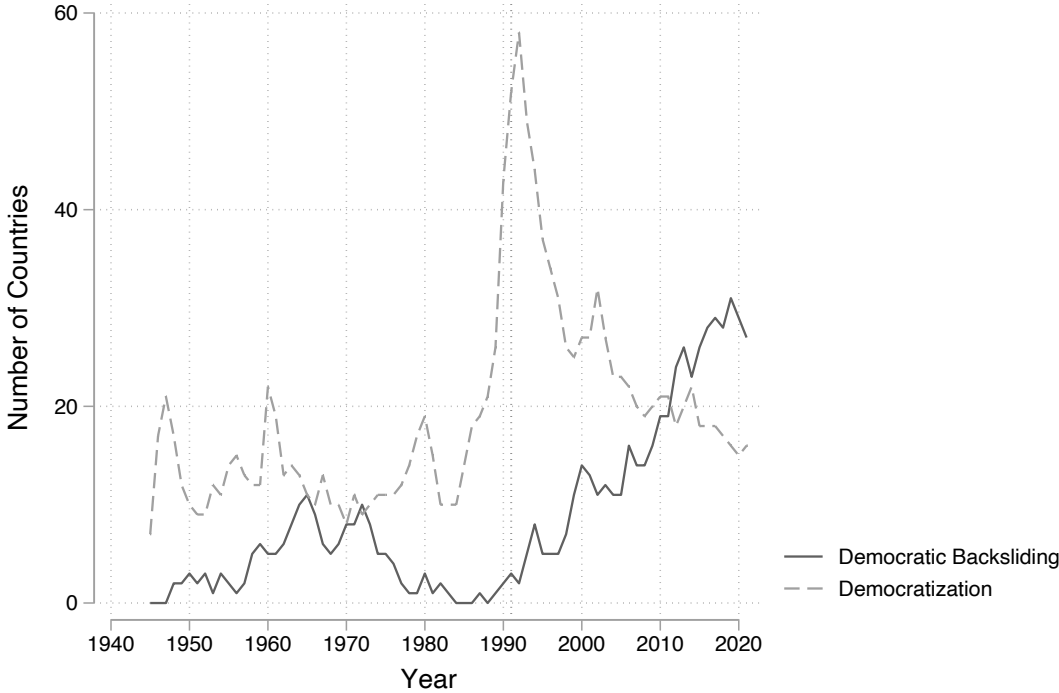


Figure 1: Democratization and Democratic Backsliding, 1945-2021. Source: Edgell et al (2022).

While there has long been debate about the effects of economic integration on democracy, these trends revived and further polarized the debate about whether international integration is beneficial or deleterious for democracy. We argue that the effect of international economic integration depends on the domestic political leadership and their commitment to democratic norms and

<sup>6</sup> Countries are measured as backsliding or democratizing if they experience a significant shift on the V-Dem polyarchy index (0.1 on a scale from 0 to 1) using a sample of democracies and hybrid regimes using data from Lüthmann and Lindberg (2019). We will discuss the measurement in greater detail below. Trends in democratic backsliding are similar if we only consider full democracies and if we account for the number of countries in each category (figures available by request).

<sup>7</sup> As we will show in our empirical analysis, those trends are not only driven by newly democratized regimes or low-income democracies, but affect stable, rich liberal democracies as well.

institutions. Anti-pluralist parties espouse four characteristics that undermine the very foundations of classical pluralist democracy (Linz 1978): the refusal to respect the democratic process as the legitimate and legal channel for securing political power; the refusal to acknowledge the legitimacy of justifiable rival parties and opponents; the use or tolerance of political violence and willingness to violate the physical integrity of rivals and opponents; and the willingness to curb the civil and political liberties of minority populations.



Figure 2: Anti-pluralism in Governments. Source: Lührmann, Medzihorsky, and Lindberg (2021).

Figure 2 demonstrates that democratic countries are increasingly governed by illiberal (or anti-plural) political parties.<sup>8</sup> The rise in anti-pluralism presents an important foundation for our argument. In the next section, we outline this argument with a focus on how international integration has facilitated democratic backsliding when aspiring autocrats are in executive power.

## Theoretical Argument

Democratic backsliding is characterized by an incremental erosion of institutions, rules, and norms that result from the actions of duly elected governments seeking executive aggrandizement (Haggard and Kaufman 2021b, 27). Our theoretical argument follows existing work on democratic backsliding and centers around the incentives, tools, and actions of political leaders in government. We argue that the effect of international integration on democracy crucially depends on whether leaders are committed to democratic norms and values. Whereas one would expect that leaders that uphold pluralist, pro-democratic values are likely to use international economic integration to promote democracy, we are particularly interested in how international integration has enabled political leaders with autocratic (anti-pluralist) tendencies who come to power through legitimate democratic elections but then turn to attack democratic norms and institutions from within, usually

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<sup>8</sup> Appendix B illustrates that anti-pluralist parties increasingly govern in electoral and liberal democracies.

to increase executive autonomy. These leaders are not committed to democracy, and as we argue, use their country's integration into the global economy to undermine democracy.

Economic integration increases opportunities for aspiring autocrats to pursue democratic backsliding through two key mechanisms. First, economic integration provides opportunities for aspiring autocrats in government to eliminate the political opposition and to build a support coalition, both from economic elites and the public, through greater access to material resources. As they integrate into the US-led Liberal International Order, aspiring autocrats receive economic access to some of the biggest economies in the world. Many countries that turned away from communism and transitioned to democracy after the end of the Cold War experienced significant increases in foreign aid and other capital flows from Western donors, international development organizations, and foreign investors. Foreign direct investment and trade also have brought significant benefits to many economies that integrated into the Western order. Once in office, aspiring autocrats can use economic successes to uneven the electoral playing field: they claim credit for their performance and use material support to buy votes and eliminate the political opposition (either through paying them off or using financial resources to eliminate them forcefully). These strategies do not only lead to an erosion of horizontal and vertical accountability; they also make it more likely for aspiring autocrats to stay in power even as they pursue other democracy-eroding policies. And while integration could in theory amplify the voices of many competing societal and political actors, it is well established that it tends to disproportionately benefit those already in political power.<sup>9</sup>

Second, even though integrated aspiring autocrats should have little appetite to disengage from the LIO materially due to its economic benefits, integration offers opportunities to politicize the failures of international integration to their political advantages; a form of rhetorical disengagement. As their countries integrate into the global economy, aspiring autocrats have become able to blame globalization and international organizations for bad domestic policy outcomes. The politicization of the LIO has been aided by significant failures of economic integration, as signified by increasing economic inequality and financial crises. But beyond, aspiring autocrats can use anti-globalization to mobilize voters against mainstream political parties who tend to support international economic integration. Using anti-pluralist (oftentimes populist) rhetoric and linking international integration to concerns about open borders, migration, and protectionism, aspiring autocrats in integrated democracies can mobilize voters, increase political support for themselves, and deepen public support for more authoritarian values and practices. A flourishing scholarship on populism already provides evidence that this has facilitated the rise of those parties into power. More important for the purpose of our argument, however, is that the same way it facilitates their rise to power, rhetorical disengagement with the Western order allows

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<sup>9</sup> For example, international integration tends to shift control over the decision and implementation of policies from the legislative to the executive branch. Governments also tend to have more control over the distribution of material benefits at the domestic level because they negotiate the relevant trade deals, investment agreements, and foreign aid packages.

political parties in executive power with aspiring autocratic aspirations to maintain a political support base despite pursuing undemocratic policies and even to drum up support for structural changes in domestic institutions and norms that ultimately undermine democracy.<sup>10</sup>

In sum, there are strong theoretical arguments to suppose that *when political parties in executive power espouse anti-pluralist values, international economic integration increases the likelihood that countries experience democratic backsliding.*

## Research Design

To examine the empirical implications of our theoretical argument, we analyze data on democratic backsliding events in 97 liberal and electoral democracies from 1992 to 2021.<sup>11</sup> We measure *Democratic Backsliding* as a period of substantial and sustained decreases on V-Dem's Electoral Democracy Index (EDI). Following Lührmann and Lindberg (2019), *Democratic Backsliding* is coded as 1 if the country experiences an initial 0.01 decrease on the EDI and a total decrease of at least -0.10 throughout the entire backsliding episode. A backsliding episode ends the final year of a negative change less than or equal to the initial decrease, prior to experiencing an annual increase, cumulative increase, or stasis period. Data are from Edgell et al. (2021).

Scholars debate how significant the reduction in democratic quality has to be in order to signify democratic backsliding (Jee, Lueders, and Myrick 2022). Whereas some consider any negative change in democratic quality as democratic backsliding, others argue that democratic backsliding requires a categorical change in regime type such as from liberal democracy to electoral democracy, or from electoral democracy to electoral autocracy (Haggard and Kaufman 2021a, 2021b; Rovny 2023; Waldner and Lust 2018). Our measure accounts for significant changes in democratic quality without requiring categorical change in regime type. This strategy is appropriate to capture the incremental decline in democratic quality that has occurred in many democratic regimes since the end of the Cold War. However, we show in Appendix I that our main results are robust to more conservative operationalizations that focus on democratic regime change or democratic breakdown and to continuous measure of backsliding (measured as the change in the democracy score).<sup>12</sup>

In addition, some recent work has pointed to a potential bias induced in expert surveys that can lead to an artificial overestimation about the extent of global trends in democratic backsliding (Little and Meng 2023). Our paper focuses on potentially problematic trends of backsliding in

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<sup>10</sup> Boerzel and Zurn (2021) offer a subtle argument on the liberal intrusiveness of IOs as a source of the backlash.

<sup>11</sup> Appendix I demonstrates that the results hold if we either include electoral autocracies, some of which had been considered democracies well into the 2000s, or only include liberal democracies.

<sup>12</sup> We also conduct a placebo check and analyze whether integration influences the likelihood of democratization. As expected, we find that *Economic Integration* is not significantly likely to support democratization.



individual countries without making strong claims about broad global trends in democratic backsliding. In addition, although we agree that expert measures may have some shortcomings in measuring actual backsliding, we argue that those trends nevertheless occur in many country contexts, they can be detrimental to democracy, and it is important to analyze their causes. Although it is not possible to use more objective measures to understand incremental deterioration in democracy, the less incremental measures, including regime change and democratic breakdown, that we use in Appendix I are less likely to exhibit these subjective biases.

Our theoretical argument supposes that international economic integration has facilitated democratic backsliding, especially if political parties in executive government aspire to executive aggrandizement. We measure *Economic Integration* using the authoritative KOF Economic Globalization Index, which is an annual weighted aggregation of information on *de facto* and *de jure* trade and financial globalization, including trade in goods and services, trade regulations, tariffs and agreements, financial direct investment, investment restrictions and capital account openness (Dreher 2006).<sup>13</sup> This index has been validated and widely used in the literature and is the most appropriate index to use given our theory's focus on the economic dimension of integration. Our sample includes countries that have varied widely on their economic integration, and we find variation both across countries and over time. Within the LIO, economic integration is oftentimes advanced through international organizations such as the World Trade Organization, the European Union, or the International Monetary Fund. In Appendix E, we find a similar effect of integration on backsliding when we measure integration by counting the number of a country's IO memberships. Data are from Pevehouse et al. (2019).<sup>14</sup>

According to our theory, the effect of *Economic Integration* on *Democratic Backsliding* should be more severe when the executive government espouses anti-pluralist sentiments. We measure *Anti-pluralism (Gov)* as the average anti-pluralism index of political parties that are members of the

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<sup>13</sup> In Appendix E, we present models that use the *de facto* measure for economic integration, as well as the trade and finance KOF indexes separately. Appendix F further replaces *Economic Integration* with a five-year average of *Economic Integration*, as well as the first and second lag of *Economic Integration*. We also estimate models that lag all explanatory variables. Since the effect of economic integration on democratic backsliding might be driven by observations with medium levels of economic integration, we explore estimate a possible non-linear effect. We find that the effect of *Economic Integration* becomes marginally weaker at high levels of integration but is substantively large and significant throughout.

<sup>14</sup> An increasing number of international organizations is governed by a majority autocratic membership (Cottiero and Haggard 2021), and one could be concerned that the effect might be driven by autocratic linkages. We therefore estimate models that include a variable with the count of authoritarian regional organizations. Appendix E shows that authoritarian IO membership does not correlate with democratic backsliding, but notably, the effect of political integration is robust to accounting for authoritarian IOs.

government coalition or formally support the government coalition.<sup>15</sup> Data are from Lindberg et al. (2021).

Since *Democratic Backsliding* is a binary variable, we estimate generalized linear models with a logit link function, robust standard errors, and cubic splines for our main models. We test our main hypothesis using an interaction between *Economic integration* and *Anti-pluralism (Gov)*. In Appendix H, we further probe the robustness of our results to including country and region fixed effects and to estimating a more parsimonious ordinary least square model. We also use an instrumental variable approach to deal with the potential endogenous nature of *Economic Integration*. Finally, we estimate a spatio-temporal autoregressive distributed lag (STADL) model (Cook, Hays, and Franzese 2023).

## Comparative Analysis

Table 1 presents the main results. For ease of interpretation, we standardized all explanatory variables to a mean of 0 and standard deviation of 1. We describe the operationalization of the variables and present descriptive statistics in Appendix C.<sup>16</sup>

	(1) Baseline	(2) Main
International Integration	0.864*** (0.186)	1.207*** (0.217)
Anti-pluralism (Gov)	-0.331 (0.241)	-0.425* (0.255)
Interaction		0.747*** (0.239)
Populism (Gov)	0.388** (0.157)	0.455*** (0.175)
Democratic Stock	0.178 (0.213)	0.158 (0.208)
Per Capita GDP	-1.182*** (0.295)	-0.824** (0.321)
GDP Growth	-0.536** (0.231)	-0.587** (0.268)

<sup>15</sup> The findings are robust to excluding the score of political parties that formally support the government. In Appendix D, we show that the results are robust to using an alternative operationalization of aspiring autocrats, which is based on the notion that personalistic leaders have autocratic aspirations (Frantz et al. 2021, 2022).

<sup>16</sup> We try to keep our main model as parsimonious as possible. In Appendix J we include additional variables that capture geopolitical interests of the United States, China, and Russia without changing our main results.

Presidentialism	0.181 (0.126)	0.108 (0.130)
Polarization	0.664*** (0.198)	0.512** (0.202)
Spline 1	-0.589*** (0.072)	-0.591*** (0.072)
Spline 2	3.295*** (0.509)	3.276*** (0.508)
Spline 3	-5.855*** (0.937)	-5.816*** (0.934)
Constant	0.972*** (0.279)	1.251*** (0.306)
Wald Test	316.366***	316.318***
N	1955	1955

Standard errors in parentheses. \* p<0.1, \*\* p<0.05, \*\*\* p<0.01

Table 1: The Effect of International Integration on Democratic Backsliding. *Notes: All explanatory variables are standardized.*

To set the baseline, we show that economic integration has a strong and robust positive association with the likelihood of democratic backsliding. A one standard deviation increase in economic integration more than doubles the odds of democratic backsliding. The effect size is comparable to the effects of political polarization—a commonly cited source of backsliding—which also has a significant positive association with democratic backsliding. In addition, we find that democratic backsliding is more likely as governments become more populist, in less developed countries, or countries that experience economic recessions. The effects of the remaining control variables are not significant at conventional levels.

Our main contribution is the argument that the effect of economic integration should be more pronounced when countries are governed by political parties with anti-pluralist values (Table 1, Model 2). Anti-pluralists should be less like to backslide if they are not integrated. Figure 4 illustrates the marginal effects of *Economic Integration* for different levels of government anti-pluralism.

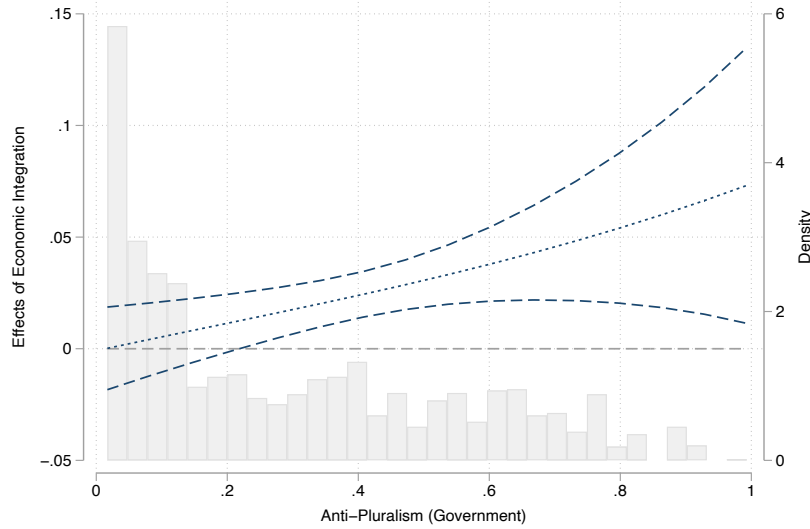


Figure 4: The Effect of Integration on Democratic Backsliding for different levels of *Anti-pluralism (Gov)*

The results in Figure 4 offer support for our argument. *Economic Integration* has a significant effect when, on average, government parties' anti-pluralism score is greater than 0.22. Anti-pluralist parties are more likely to exploit economic integration to pursue executive aggrandizement. For these groups of elites, economic integration into the LIO has been effective in eroding democracy. While democracies may very well benefit from certain aspects of global integration such as accumulating foreign direct investment (Gasiorowski 1988; Li and Reuveny 2003), the results demonstrate that integration gives aspiring autocrats a notable leg up to institutionalize anti-democratic norms and policies that are ultimately sticky and hard to reverse.

One could be concerned that it is not about anti-pluralist values of the government, but rather their populist tendencies that drives the main effect. There is a related literature on populism that sometimes treats populist parties as a direct threat to democracy (Galston 2017; Norris and Inglehart 2019). Populism tends to espouse a people-centric, anti-elite antagonism between the righteous and the corrupt (Rooduijn 2014). As such, populism is not inherently anti-democratic. To evaluate whether the effect of integration on backsliding is heightened when populists are in power, we substitute our measure of anti-pluralism for populist rule using the V-Party data set measure on populism (Lührmann, Düpont, et al., 2020). The variable uses a narrow definition of populism, which does not include anti-pluralist rhetoric. The results in Appendix D suggests that more populist governments are no more or less likely to use economic integration to promote democratic backsliding: the conditional effect is insignificant. This indicates a key finding: that populist parties are only likely to use integration to advance backsliding if they have autocratic aspirations.

We were also concerned that the success of anti-pluralist parties is at least in part driven by the integration into the LIO, and that the effect of *Economic Integration* works through the political rise of anti-pluralist governments. To probe this possibility, we estimate models that predict government anti-pluralism using a range of explanatory variables including *Economic Integration*. We then include the predicted values of *Anti-pluralism (Gov)* in our main models for democratic erosion. Appendix D shows that the effects of *Economic Integration* are robust to accounting for the possibility that integration can facilitate the rise of anti-pluralist governments in the first place.

Finally, democratic backsliding especially after the end of the Cold War could be primarily driven by democracies with weaker democratic foundations. For example, newly democratized countries could lack the democratic stock of stabilized democracies to withstand the pressures of integration. Indeed, Appendix H demonstrates that the effect of *Economic Integration* on democratic backsliding indeed declines as countries have stronger democratic accountability that can counter efforts at erosion, supporting earlier work on the importance of strength of institutions for democratic resilience (Boese et al. 2021). Similarly, many of the new democracies were economically much poorer and backsliding could be a consequence of economic conditions. In Appendix G, we estimate our main model separately for the sample of high-income countries and medium and low-income countries. In addition, we estimate our model for a sample of countries that have relatively deep democratic stock (we reduce the sample to observations that have a democratic stock above the 50<sup>th</sup> and the 75<sup>th</sup> sample percentile). *Economic Integration* is significantly associated with democratic backsliding across all those models.

Overall, the findings of our quantitative comparative analysis offer strong and robust support for the argument that economic integration has been followed by detrimental effects for democracy. Economic integration into the LIO has provided aspiring autocrats with political opportunities to implement policy changes that lead to the incremental erosion of democratic institutions.

## **International Integration & Democratic Backsliding in Hungary**

We complement the quantitative analysis, which establishes a robust correlation between aspiring autocrats' integration and democratic backsliding, with a qualitative analysis of the mechanisms that underlie the relationship between them. We examine how the prime minister of Hungary, Viktor Orbán, expanded his executive autonomy vis-à-vis the legislature and judicial branches of government. His actions and policies led Hungary to experience significant democratic backsliding from a consolidated liberal democracy to a hybrid regime. We have selected Hungary as a typical case as described by Gerring (2008), in that it is typical of the relationship between integration into the LIO and democratic backsliding. Because Hungary was both deeply integrated into the international economy and experienced backsliding, typical cases do not allow us to test our main claim (or dispute alternative explanations), but rather to explore the mechanisms underlying our theoretical argument. We expect to find that anti-pluralist Fidesz used material engagement and rhetorical disengagement to promote its policies of executive aggrandizement. We will first

substantiate Hungary as a typical case and then proceed to explore the existence of the expected mechanisms.

### *Hungary as a Typical Case: Integration and Backsliding Trends*

The dissolution of the Soviet Union marked the beginning of a dramatic integration of Hungary into the Liberal International Order (see Figure 7). With support from the West, the country rigorously pursued pro-Western policies, pushing toward political and economic liberalization. By the mid 1990s, the country was officially considered a consolidated liberal democracy and a poster child for post-communist economic integration. After initial economic turbulences, the leadership entered into an IMF agreement and adopted a stringent austerity program coupled with significant structural policy changes. The consequence was the restructuring and liberalization of the banking sector to foreign owners, which helped create the foundation for Hungary's economic growth (Bartlett 1997; Johnson and Barnes 2015). By the time Viktor Orbán's political party Fidesz won the elections in 2010, Hungary ranked in the 90<sup>th</sup> percentile in terms of economic integration, just below countries such as The Netherlands, Belgium, Luxembourg, Malta, and Singapore. In 2004, it had become an official member of the European Union.

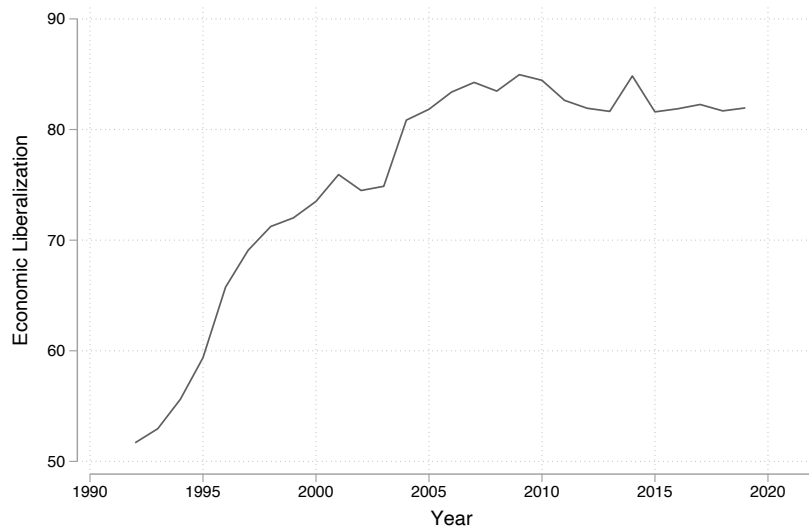


Figure 7: Economic Integration of Hungary, 1990-2020

The early euphoria did not last. Even though the country remains highly integrated economically, it has experienced dramatic democratic backsliding since 2010 (see Figure 8). Prime minister Orbán's government passed a new constitution and numerous rules and statutes to expand executive autonomy, limit liberal democratic competition, and reduce fundamental freedoms. To increase its executive autonomy, the government passed laws that weakened the judiciary and the constitutional court, seized control over key institutions (mostly by packing them with loyalists), and changed electoral laws to uneven the electoral playing field (Venice Commission 2011, 2013)

By 2019, the country had officially lost its status as a democracy, and was downgraded to an electoral autocracy.

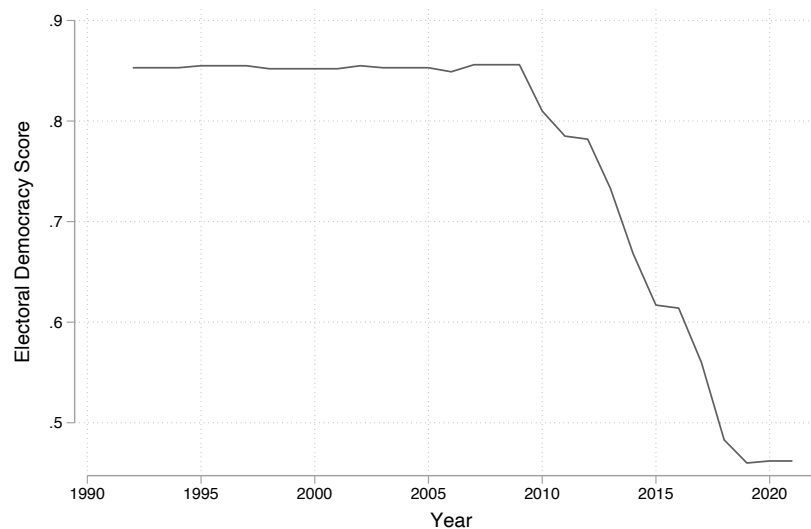


Figure 8: Democratic Backsliding in Hungary, 1990-2020

Because Hungary was highly integrated into the global economy and it experienced democratic backsliding, we expect to observe the theoretical mechanisms underlying our argument. To trace the underlying causal mechanisms, we rely on a range of secondary sources (including academic studies and newspaper articles) and primary archival materials (such as election manifestos, consultation reports, and government communications). Our analysis indicates that both mechanisms played a central role in allowing Orbán to expand his executive autonomy significantly.<sup>17</sup>

#### *Material Engagement with LIO*

Hungary was one of the first countries to pursue political and economic liberalization after the end of the Cold War. The country was a poster child for the success of liberalization in Central and Eastern Europe (Linz and Stepan 1996). The efforts were successful to attract large inflows of foreign direct investment (FDI), foreign aid, and it also led to the EU's decision to name Hungary as one of five leading applicant states that were expected to have an early shot at EU membership (Plümper, Schneider, and Troeger 2006). Foreign direct investment increased from almost nothing to over 70% of GDP in the late 2000s (UNCTAD 2019) and the country rapidly expanded its trade relationships with the West. German carmakers alone provided direct employment to almost

<sup>17</sup> See Scheiring (2020) for a summary of other determinants of backsliding in Hungary.

50,000 employees, generating about 2.5% of Hungary's GDP.<sup>18</sup> Since 1993, Audi has made investments of more than EUR11.5 billion in its Hungarian production facilities.<sup>19</sup> Before becoming an EU member state, Hungary was a major recipient of international foreign aid as well as EU accession support. EU membership in 2004 gave Hungary access to a variety of material support, including the European Structural and Investment Funds.<sup>20</sup> Between 2014 and 2020, EU spending accounted for about 3.43% of Hungary's GNI (Kelemen 2020), which allowed Hungary to invest in a number of infrastructure and other projects at the domestic level. With this level of support, Hungary was able to finance its public investments almost exclusively with European Union money (Keszthelyi 2017). Economic and political liberalization supported economic growth and provided significant resources to the government.

The EU was not the only source of material engagement. Alongside support from Europe was the U.S., with investments in Hungary sustaining more than 100,000 local jobs. Through foreign military financing, military education and training, and other capacity-building endowments, the U.S. provided support to Hungary's defense forces and still "promotes the continued development of a flexible, sustainable, and interoperable Hungarian military" (U.S. Department of State 2021). Hungary also benefitted from its membership in numerous other international organizations that were foundational to the development of the LIO, including NATO, the Euro-Atlantic Partnership Council, the OSCE, the OECD, the IMF, World Bank and WTO.

The material benefits from Hungary's pro-Western integration policies accrued early on, but it was not until Viktor Orbán came into office that these resources were used strategically to undermine democracy. The coalition government composed of the Socialist party and the Free Democrats, which was in power until 2010, had followed policies that focused on supporting foreign ownership of national banks and companies, and supporting transnational companies. By 2010, transnational companies made up about 68% of production in manufacturing and 68% of the value added in the banking sector (HSCO 2018). Orbán used the material benefits the LIO provided to further his political goals. First, he departed from the previous government strategy and started building and supporting national rather than transnational companies (Scheiring 2020), all the while making sure to keep the support of key transnational companies, including German car manufacturer, by signing Strategic Partnership Agreements (Bartha 2016).

An important vehicle were public procurements, mostly funded by the EU, to support not only close political allies and his own family members (Kelemen 2017, 2020), but a much broader pool

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<sup>18</sup> Shehadi, Sebastian. 8 October 2021. "How German automotive investment in Hungary exposes the dark reality of globalization." Investment Monitor. Accessed Feb 25, 2023: <https://www.investmentmonitor.ai/features/german-automotive-investment-hungary-orban/>

<sup>19</sup> Than, Krisztina and Gergely Szakacs. June 15, 2020. "Hungary ready to help Audi plant return to full capacity." Automotive News Europe. Accessed Feb 25, 2023: <https://europe.autonews.com/automakers/hungary-ready-help-audi-plant-return-full-capacity>

<sup>20</sup> EU membership also provided a seal of approval and helped Hungary attract additional FDI and loans.



of national economic elites (Scheiring 2020; 2021). To smooth this process, he placed key economic and political allies in ministries responsible for the redistribution of external funds. Orbán also increased the value-added of national companies in the finance and other sectors through privatization and nationalization. And he pursued tax and austerity policies that were geared toward benefitting the very same economic elites, typically the top 20% of income earners (Toth and Virovacz 2013).<sup>21</sup>

These policies, and the foreign resources that made those policies possible, led to a significant increase in economic inequality and increased the losses of the very group of low-income voters that had elected him to office in the first place. But they also allowed Orbán to groom a cadre of rich economic elites that supported him in power. Figure 9 illustrates the increasing support Orbán enjoyed amongst rich economic elites. Whereas the national economic elites had still favored the Socialist Party coalition in 2009, Hungarian billionaires have increasingly been right leaning after the 2010 election.

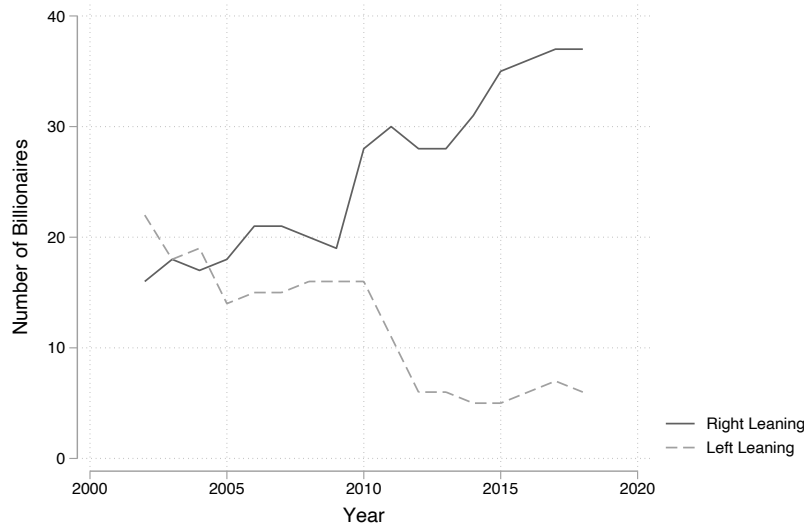


Figure 9: Number of Ideologically Leaning Billionaires. Source: Scheiring 2020.

These billionaires presented an important foundation of political support for Viktor Orbán. Their campaign contributions helped Orbán to continuously outspend the opposition during election campaigns, usually by a factor of ten (Erdelyi 2018). Economic elites also played a role in Orbán’s power consolidation by (i) providing the necessary financial resources that Orbán could use to pursue clientelist strategies in election campaigns (Mares and Young 2019),<sup>22</sup> (ii) buying up and

<sup>21</sup> Orbán introduced a flat tax, tax reliefs for national corporations, and used austerity policies to redistribute wealth to the high-income class.

<sup>22</sup> This investigative report provides an illustration of how the EU fraud scheme works: Kalan, Dariusz. Dec 8, 2020. “How EU fraud schemes work in Orbán’s Hungary.” Reporting Democracy. Accessed 25 Feb 2023: <https://balkaninsight.com/2020/12/08/how-eu-fraud-schemes-work-in-orbans-hungary/>

running the right-wing media (Wilkin 2016),<sup>23</sup> and (iii) funding loyal “civil society groups” organized from above to work in the government’s favor (Scheiring 2020). Aside from directly supporting Orbán’s quest to win increasingly unfair elections, they also actively supported policies that attacked democratic norms and institutions. One of the most infamous examples is Orbán’s decision to curtail the authority of the Constitutional Court because of legal complaints by individuals that were negatively affected by the nationalization measures and the flat tax that favored the economic elite. To protect their economic gains, economic elites supported Orbán’s policies that led to a significant erosion of the quality of judicial oversight.

*Rhetorical Disengagement*

The (mis)use of material resources made available through the integration into the LIO provided Orbán with the opportunity to build an economic elite that supported him through elections and allowed him to increase his executive autonomy vis-à-vis the legislative and judicial branches. At the same time, he kept his political support base. Despite pursuing policies that increased economic inequality and reduced support for the poorest segments of society he won reelection repeatedly. Figure 10 demonstrates satisfaction with the government and the way how democracy works increased when the Fidesz government came into power in 2010 and remained stable (with a slight increase in 2020) since then.

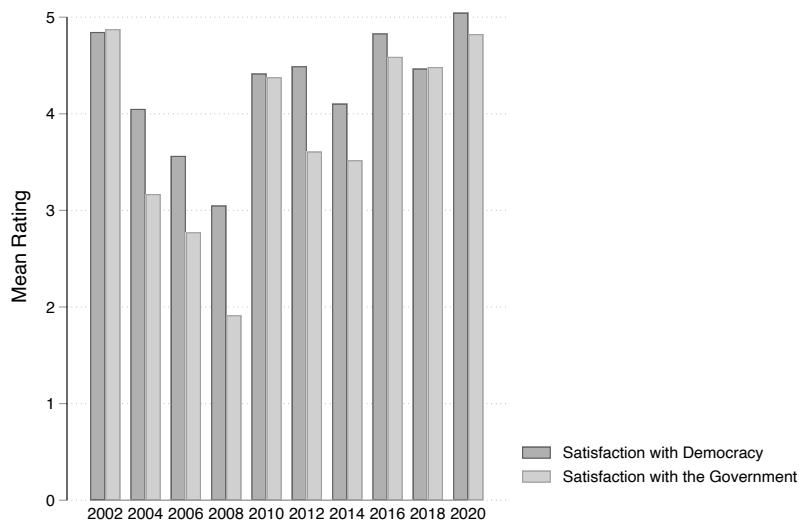


Figure 10: Public Opinion in Hungary, 2002-2020

Of course, his re-election success owes at least in part to democratic backsliding. Orbán immediately implemented policies that biased electoral results. But this does not explain why

<sup>23</sup> This was facilitated by foreign investors selling their interests in Hungarian companies, including local newspapers and news sites, to buyers with close ties to Fidesz. Panyi, Szabolcs. 2021. "How Orbán played Germany, Europe's great power." Accessed Feb 25, 2023: <https://www.europeanpressprize.com/article/how-orban-played-germany-europes-great-power/>

Orbán remained popular amongst Hungarians. These patterns are less puzzling when considered through the lens of our theory. As we discussed, Orbán was able to use foreign financial resources to increase electoral support through clientelism and many foreign investment projects were strategically located in pro-Orban districts (Shehadi 2021). Improvements in international economic conditions and EU financial support also led to more favorable economic conditions at home (Gabor Scheiring 2020), thereby leading to a decline in unemployment and growth in wages. Central with respect to our theoretical mechanisms, we find support that Orbán used Hungary's integration into the LIO and politicized it as a strategy to maintain public support. Even though Orbán campaigned on an Eurosceptic platform in 2010, it was not until after he got into power that his speech radicalized toward supporting the idea of an "illiberal democracy".<sup>24</sup> Relying on authoritarian (in this case, right-wing populist) rhetoric that was geared to increase anti-globalization and Eurosceptic sentiments as well as fear of migration, Orbán portrayed himself as the protector of the vulnerable working class (Vachudova 2020). The European migration crisis in 2015, especially, helped Orbán to politicize migration to highlight the failures of the EU and globalization and to present himself as the only viable political option. As a consequence of his anti-migration campaigns, public support for migration significantly declined especially amongst his supporters (Bartels 2023, 107–8). His explicit rhetorical disengagement helped him sustain significant public support despite the economic burdens he had placed on the very same segments of Hungarian society.

In sum, Hungary's democratic backsliding offers vivid illustrations of the theoretical mechanisms through which international economic and political integration can support aspiring autocrats in their quest to erode democratic institutions. We find evidence that Orbán used rhetorical disengagement to stir up political support. At the same time, he exploited his country's material engagement with the LIO to create a support cadre made up of economic elites, to pursue clientelism and foster electoral support, and to fight off his political opponents. Using incremental strategies of erosion taken from the new autocrat's playbook, he faced little domestic or international opposition. Together, these strategies allowed him to pursue policies that led to the ultimate demise of a liberal democracy in the center of Europe.

The extent to which this erosion will continue is an open debate. After nearly a decade of turning a blind eye as democracy was incrementally being rolled back, the European Union shifted its stance and started to express concern. They put into place a new sanctioning regime in 2020 in reaction to such egregious violations of democracy and the rule of law in Hungary, as well as

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<sup>24</sup> Bartels (2023, 195–96) even claims that populism did not play a dominant role in the 2010 election outcome.

Poland (EU Regulation 2020/2092).<sup>25</sup> But it is neither proven that these actions will be effective, nor did they immediately lead to meaningful actions. The European Parliament adopted a scathing report in 2022—with 433 votes in favor, 123 against, and 28 abstentions—deploring the continued reticence of the European Council to counter backsliding in Hungary, citing concerns over the lack of judicial independence, corruption and human rights (European Parliament 2022). The EU then threatened suspension of some 7.5 billion Euros—about 5% of Hungary’s estimated GDP—on charges of corruption. As the EU Budget Commission explained at the time, “It’s about breaches of the rule of law compromising the use and management of EU funds” (Baczynska and Szakacs 2022). In response, Orbán's government pledged to implement various anti-corruption policies. But when these remedial policies did not go far enough, the EU threatened to suspend nearly double the amount of funds as an attempt to reign in Hungary (Rankin 2022). In December of 2022, the EU suspended 22 billion Euro earmarked for Hungary until the country demonstrates substantial progress against democratic erosion (Kasnyik 2022).

The EU is not alone in coming to terms with the severity of Hungary’s erosion. In a reversal of Trump, the Biden Administration has also taken a stronger if mainly rhetorical turn against the Orbán regime. In his 2021 signature Summit for Democracy, Biden brought together leaders from over 100 countries to pledge for democracy. Every member of the European Union was invited, but Hungary. The strategy was to shine a light on democratic erosion under Orbán (Bayer 2021). And in a 2022 speech at Stanford University, former President Obama called Hungary an authoritarian regime, in company with the likes of China, the Philippines and Brazil (Kafkadesk 2022).

It remains to be seen whether these actions will change Orbán’s strategy or whether they are too little too late. At the time of writing, there have been no marked improvements in Hungary’s quality of democracy. Orbán himself has threatened to veto any EU sanctions against Russia for the war against democracy in the Ukraine (Reuters 2023b). The response to Biden’s actions has been public debate about double standards and a tit-for-tat snubbing by Orbán of Biden’s visit to Hungary in February of 2023 for a diplomatic gather to work towards peace for Ukraine (Schwab and Crilly 2023).

## Conclusion

Democracy has long gone in fits and waves, and autocratization and the rise to power of aspiring autocrats is nothing new, though they are on the rise especially since the end of the Cold War. What is new this time is how aspiring autocrats use their deepening integration into the LIO to

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<sup>25</sup> The regulation allows the EU Commission to impose financial sanctions on member states if the breach the rule of law and those breaches affect, or seriously risk affecting, the financial interests of the EU. The implementation was suspended to gain the Hungarian-Polish consent for the multi-annual budget and the post-pandemic European Recovery Fund. It was not until February 2021 that the European Court of Justice ruled that the conditionality regulation was in full compliance with EU law.

undermine the very democratic foundations of that order. What was once touted as the triumph of liberalism over totalitarianism in all its facets is now one of the central threats to democratic governance and the Liberal International Order itself.

Using data on democratic backsliding, anti-pluralist political parties, domestic institutions, and global integration, we provide first evidence that the effect of economic integration on democracy depends on the extent of executives' commitment to pluralist values and democratic institutions. The same way that economic integration, driven especially by the United States through its LIO, may have promoted democracy when executive leaders are committed to democracy, it has equipped aspiring autocrats with the tools, resources, and support to pursue incremental executive aggrandizement. Hungary is an alarming example that provides evidence for the causal mechanisms underlying our theory. But Hungary is by no means an outlier.

These findings have important implications for democracy and democracy promotion in an integrated world. They suggest moving beyond the assumption that economic integration into the LIO will unconditionally foster democratization and analyzing what makes democracies within the LIO more resilient to democratic backsliding. Although it seems easy to criticize the cooperative approach that has been pursued since the end of the Cold War, it is not evident that excluding countries from the LIO would have led to different outcomes. The relevant counterfactual in this case is not whether exclusion from the LIO would have been more successful in promoting democracy. Rather, would a different approach to integration have been more successful in preventing the exploitation of the LIO for democratic backsliding by aspiring autocrats. Hungary's experience alludes to the importance of democracies and international organizations to enforce commitment to democratic norms and values for countries that are integrated into the LIO. To make matters more complicated, the current debate about democracy promotion through the LIO and the value of the LIO more generally has been highly politicized and support for it has faltered even in many of its core proponents, including the United States. Our work suggests that there are worrying developments afoot: the simultaneous integration of autocrats into the LIO and the withdrawal of the United States undermines the very system the United States set up and promoted after World War II. These processes and forces will have major implications for the LIO itself in terms of global norms, the balance of power, the future and health of multilateralism and the global economic system.

Despite these threats, our work also offers clear evidence that democracy can be resilient to the negative effects of integration. Our analysis implies that undermining the LIO to pursue democratic erosion is not an easy task. While some of these backsliding episodes have resulted in countries reverting to outright authoritarian rule, others managed to remain broadly democratic. Aspiring autocrats continuously must walk a tightrope between maintaining a political base of support and ensuring that the necessary benefits of integration keep forthcoming. The need to balance rhetorical disengagement and material engagement provides potential openings for international accountability. The decision of the European Union to implement collective action against democratic backsliding, albeit very belatedly, is a good example. At the same time, our

findings offer evidence that democratic accountability at the local level, whether through the legislature, judiciary, civil society, or media, can make democracies more resilient against attempts by leaders like Orbán to undermine democracy from within by using the LIO as a tool.

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