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The Outcomes of Democracy

José María Maravall

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Maravall: *The Outcomes of Democracy*

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Jean Monnet Chair Papers

The Outcomes of Democracy

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In this paper I will analyse some aspects of the relationship between the economy and politics in the new democracies. I am going to study this relationship from two perspectives in order to determine, firstly, whether politics affects economic performance, and secondly, whether this in turn has political consequences. I will begin by examining the effects economies have on regimes, in order to discover if economic development fosters democratization, if, on the contrary, this stabilizes dictatorships, or rather, whether it is the economic failure of dictatorships which leads to democracy. Secondly, I will study the effects of regimes on the economy, to see if it is possible to differentiate between the efficiency of dictatorships and democracies, and if so, how these differences might be explained.

We live in a period of exceptional experimentation in democracy and political institutions. The number of democracies doubled during the fifteen years after the 'revolution of the carnations' in Portugal in April 1974. Competitive elections were held in Portugal, Greece and Spain; in Argentina, Bolivia, Brazil, Chile, Uruguay, Paraguay, Peru, and the Philippines; in South Korea; in Pakistan; in Turkey; in the countries of Central and Eastern Europe; and in the federations of the former Soviet Union. Yet in the majority of these countries the emergence of new democracies coincided with major economic crises which were particularly acute in countries such as Brazil, Argentina, Peru, Hungary, Poland, or Yugoslavia. This combination of political and economic transformations poses an enormous challenge to the social sciences. What can they tell us about the viability of different institutions, the cultural characteristics which influence the consolidation or 'quality' of democracies, or the relationships between the economy and politics, between efficiency and legitimacy? To what extent can they help us to interpret scenarios, to identify and evaluate different alternatives, to take decisions? The challenge is all the greater since democracies are now established very rapidly. Whilst in Britain democratization took two centuries, the slowest contemporary processes (for example in Brazil or Poland) have lasted ten years, whilst the fastest (as in the cases of Czechoslovakia, Rumania, Argentina or Greece) have taken just a few days. Democratization no longer consists of a slow and gradual evolution, during which the participants can negotiate the rules of the game and establish systems of mutual guarantees. The time-scale in Robert Dahl's analysis of the establishment of democratic regimes has been drastically reduced: the sequences have become shorter, and competitive pluralism no longer precedes mass participation[1]. It is possible, therefore, that the accumulated knowledge of the social sciences, the comparison of experiences, and the availability of models, may compensate for the brevity of the time available to construct viable democracies.

This paper presents a very general analysis of the relationship between the economy and politics in democratization processes, examining the two sides of this relationship, in other words, the dual direction of causality. What effect do economies have on regimes? And what effect do regimes have on economies?

1. The economic conditions of democratization

Let us begin with the first side of the problem: *the economy as a cause of democracy*. The question can be put as follows: is political change generated by economic development or by economic crisis? Is it due to economic success or failure? As is often the case in the social sciences, both explanations have coexisted somewhat paradoxically. Two mutually exclusive causes have been put forward to explain democratization. That is, both development and crisis have been used to explain the same result, namely the collapse of dictatorships and the establishment of democratic regimes.

Perhaps the most long-standing thesis is that which presents development as a cause of democracy. This thesis has been supported by extensive empirical evidence, mainly drawn from comparative quantitative studies. Following Seymour Martin Lipset's seminal work[2], almost thirty studies of this type have been carried out covering a wide range of different countries. On the basis of the statistical analysis of a small number of variables, their empirical generalizations have repeatedly concluded that economic growth facilitates democratization. However, this thesis contains a number of weak points derived from the logic of the argument and the evidence on which it is based.

The relationship between economic development and political democracy has frequently been understood in functional terms. Democracy 'requires' a

1 Robert A. Dahl, *Polyarchy* (New Haven, Yale University Press, 1971), chp. 3.
2 Seymour Martin Lipset, 'Some Social Requisites of Democracy: Economic Development and Political Legitimacy', *American Political Science Review*, 53, 1 (1959), pp. 69-105.

certain level of economic development whilst, in turn, there comes a point when economic development 'requires' democratic institutions. This vision has been shared by various traditions within the social sciences. In this way, a marxist would reason that the development of the forces of production has political consequences, and that, as Lenin affirmed in *State and Revolution*, democracy constitutes the best 'shell' for capitalism. Meanwhile, a functionalist would argue that societies are systems of interrelated, functionally integrated institutions which must always maintain a necessary 'degree of fit'. In this way, political change would consist of an adjustment to a prior economic change. Thus, the logic of this type of explanation leads to the conclusion that there are certain specific requisites for democracy, that only when these are met will democracy be possible (that is, will it appear and survive), but also that when these requisites are satisfied the result will necessarily be democracy.

Let us examine the reasoning according to which democracy is generated by economic development in a little more detail. The relationship between the economy and politics is presented in terms of probability. The most important empirical studies of democratizations do not defend the existence of a mechanical, deterministic relationship between economic development and democracy. Rather, they merely affirm that if the former takes place, the probability of the latter occurring increases[3]. No law of destiny guarantees that a developed country will be democratic, or a poor country a dictatorship. If the causality is weak, this is because it reflects the considerable room for manoeuvre societies enjoy in the face of the determinism of the structural conditions. Economic development would only *favour* democracy, and exceptions would always ex-

3 The following are just some examples of this type of argument from the last few decades. In 1959 Lipset maintained that 'democracy is related to the state of economic development... And the factors subsumed under economic development carry with it the political correlate of democracy.' More than thirty years later he reasserted the same thesis: 'The available data on economic levels and democratization suggests ... that the correlation between them is more pronounced in the early 1980s than in the late 1950s.' Seymour Martin Lipset, 'Some Social Requisites of Democracy', pp. 75 and 80; Seymour Martin Lipset, Kyoung-Ryung Seong, and John C. Torres, 'A Comparative Analysis of the Social Requisites of Democracy', *International Social Science Journal*, 136 (1993), p. 157.
Bollen and Jackman suggest that 'the level of economic development has a pronounced effect on political democracy, even when other non-economic factors are considered.' Kenneth A. Bollen and Robert W. Jackman, "Economic and Non-economic Determinants of Political Democracy", *Research in Political Sociology* 1 (1985), p. 38.
In a study covering 125 countries between 1960 and 1985, Helliwell indicated that 'countries at higher income levels are more likely to have democratic forms of government.' John F. Helliwell, 'Empirical Linkages between Democracy and Economic Growth', *Working Paper n° 4066* (Cambridge, MA., National Bureau of Economic Research, 1992), p. 21.

ist: Germany in the 1930s, for example, or conversely, India or Costa Rica. Thus, economic development would not be a *sufficient cause* of democracy[4], nor would the relationship exclude the possibility of involutions of political regimes taking place despite economic development. Nor, moreover, would the relationship be linear, whether over time or among countries with different levels of development. The probabilities of democratization would increase during certain phases of economic development and decline in others[5], and they would not increase before a certain minimum threshold is reached, nor after a maximum has been surpassed. These economic 'thresholds' of democracy correspond to what Samuel P. Huntington has labelled 'the transition zone': on entering this, the prospects for democratization multiply. Huntington developed this argument in relation to countries at an intermediate level of development, precisely those that have accounted for two thirds of all the democratizations which have taken place since 1974. After a period of growth, these countries entered this 'transition zone'; as a result, in three out of four cases they had established democratic regimes fifteen years later. In Huntington's words: 'In considerable measure, the wave of democratizations that began in 1974 was the product of the economic growth of the previous two decades'[6]. According to this thesis, sooner or later developmental dictatorships usually discover that the aspirations of their societies are not only confined to the sphere of consumption, but also encompass liberties and political rights.

The causal effect of economic development on political democratization would operate indirectly, through a variety of intermediate variables. In this way, as an economy develops it also becomes more complex, and hence more difficult to manage under authoritarian institutions. As Dahl argues, the long-term performance of an advanced economy will be less productive under coercion than if based on voluntary compliance; that is, authoritarian *diktats* will be less efficient than collective negotiation[7]. Moreover, the social order will also become more plural, and in consequence resources will become less con-

4 In 1971 Dahl emphasized the probabilistic character of the relationship, a point which has subsequently been noted by most authors. See for instance, Lipset, Seong, and Torres, 'A Comparative Analysis', pp. 156, 158, 170.

5 Lipset originally argued that the relationship was linear. Subsequently, Robert. W. Jackman suggested that it was curvilinear in 'On the Relation of Economic Development to Democratic Performance', *American Journal of Political Science*, 17 (1973), pp. 611-21. Finally, Lipset, Seong, and Torres have described it as N-shaped, with probability declining after an initial period of development and then rising again in a later phase.

6 Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman, University of Oklahoma Press, 1991), p. 61.

7 Dahl, *Polyarchy*, p. 77.

centrated, coercion less viable, and demands for political pluralism more intense. Thus, social groups and organisations will acquire greater autonomy from the state, the number of intermediate associations will multiply, civil society will become stronger, a new equilibrium will be achieved in the relationship between this and the state, and new patterns of negotiation will replace the relations of imposition. Social polarization will be reduced; the improvement of a group's living standards will no longer be a zero-sum game, in which one group may only benefit at the expense of another; and the middle classes will also become a more important force in the stratification system. The development of communications and education will strengthen society's collective capacity to exercise the rights of citizenship. And these economic and social conditions will eventually influence values, fostering tolerance, trust and feelings of personal efficacy, which, in turn, are seen as the cultural foundations of democracy[8].

Some of these intermediate variables, however, may not only depend on the level of economic development. Social reforms, for example, may distribute resources in very different ways. Poor countries are not inevitably characterized by the concentration of resources, the submissiveness of their societies, and extensive illiteracy. Factors other than the increased resources brought by development may enable these conditions to be altered. Hence it is possible for democracy to become established in these countries if material needs and social inequality are reduced. In this way, social policies and education acquire a specific value; a functionalist would consider them to be functional alternatives to economic development. As a result, development would not be a *necessary cause* of democratization. These empirical studies do recognize this possibility[9]: in fact, this is the basis of many of the hopes of survival that a democracy may hold in a poor country.

There is a further reason why the economy affects dictatorships. The more dictatorships claim legitimacy on the grounds of performance rather than ideology, the more vulnerable they become to economic crises. This vulnerability not only affects governments but also the regimes themselves. For as Huntington has argued, under authoritarianism the 'legitimacy of the rulers'

8 Besides Dahl, see Alex Inkeles and Larry Diamond, 'Personal Development and National Development: A Cross-National Perspective', in Alexander Szalai and Frank M. Andrews (eds.), *The Quality of Life* (London, Sage, 1990); Larry Diamond, 'Economic Development and Democracy Reconsidered', in Gary Marks and Larry Diamond (eds.), *Reexamining Democracy* (Newbury Park, CA., Sage, 1992), pp. 117-19.

9 In this sense Helliwell writes that 'schooling goes some distance in explaining the variations in democracy not captured by differences in GDP per capita', Helliwell, 'Empirical Linkages', p. 8.

(based on performance) overlaps with 'procedural legitimacy', (based on the rules of the game). When the former collapses, so too does the latter. In democracies, in contrast, the two are more clearly differentiated, hence it is possible to change the government whilst preserving the regime. A double legitimacy crisis of this type preceded the transitions in Southern and Eastern Europe, in Argentina, Uruguay, Peru, Brazil, and the Philippines. After examining 23 governments in East and South-Eastern Asia, Latin America, and Africa, Stephen Haggard and Robert Kaufman have shown that 'authoritarian regimes tended to rely more heavily than democratic ones on purely instrumental appeals and were thus particularly vulnerable to "legitimation crises" when economic conditions turned sour'[10]. Appeals of this kind can only be made as long as economic growth continues: when it stops, the crisis will also be political.

Thus, democracy appears to be an 'unintended consequence' of economic development, the result of a contradictory combination of *economic success* and *political obsolescence*. By developing their economies, dictatorships sew the seeds of their own destruction. In Dahl's words 'the more they [dictatorships] succeed in transforming the economy, (and with it, inevitably, society), the more they are threatened with political failure'[11].

These are the main arguments defended by a long tradition of comparative quantitative research. Nearly all of the thirty odd studies produced over the last three decades have reached similar conclusions[12]. Accordingly, these should probably be taken as the frame of reference for any analysis of the economic conditions for democratization[13]. In this way, when the experiences of Spain, Portugal, Greece, Hungary, Poland, or the Czech Republic are examined, we need to verify whether democratization was preceded by high rates of economic growth and took place when these countries had reached certain 'thresholds' of development; whether the political institutions of the dictatorships found it increasingly difficult to manage their economies (in Eastern Europe because these were both communist economies and political dictatorships); whether economic change generated more plural social orders and

10 Stephen Haggard and Robert R. Kaufman (eds.), *The Politics of Economic Adjustment* (Princeton, Princeton University Press, 1992), p. 330.

11 Dahl, *Polyarchy*, p. 78.

12 A chronological list of these studies is given in Appendix 1.

13 For an example of comparative historical research that takes these empirical generalizations as its frame of reference, see Dietrich Rueschemeyer, Evelyne H. Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Cambridge, MA., Polity Press, 1992), chp.

stronger and more autonomous civil societies; whether the material and cultural evolution of these societies reduced polarization and fuelled the extension of democratic values; and whether the problems of economic performance provoked a crisis of legitimacy for deideologized dictatorships.

Taking these comparative studies and their quantitative generalizations as the frame of reference does not imply that we are unaware of their many theoretical and empirical problems. The use of very aggregate data has often led to oversimplified classifications of complex national experiences. Stereotypes have been abundantly used; thus, many authors have argued that all economically developed countries now have democratic regimes, with the sole exceptions of Singapore and the Gulf States, and that economic development seems to have facilitated democratization processes such as those of Southern Europe, Chile, or South Korea. However this interpretation substantially misrepresents the political processes in these countries. I have challenged elsewhere such interpretations of political change in Southern Europe. As for South Korea, this explanation overlooks the fact that for the Park Chung Hee government economic growth (averaging 7 per cent per annum between 1967 and 1987) was an instrument for the maintenance of authoritarian rule, and that the democratization process which eventually brought twenty-six years of dictatorship to an end was largely due to the growing strength of the opposition, the political incompetence of President Chun Doo Hwan, and a radically different international situation. As for Chile, the country had a long history of democracy before Pinochet's coup d'état in 1973, and in the mid-1980s it had yet to recover the level of economic development it had enjoyed in 1970.

Many of the comparative quantitative studies whose conclusion is that they have demonstrated an acceptable causality[14] merely show a weak and rough statistical correlation, and the accuracy of their measurements is often spurious. The definition of indicators and the selection of countries and chronological periods have always proved problematic[15]. The dependent and independent variables are not always clearly specified; for example, it is sometimes unclear whether the explanation refers to the *emergence* or the *persistence* of democracies, or whether the independent variable is the *level* of development or the *rate* of growth. The direction of causality can also be confusing; it is not

14 Although almost half the variance remains unexplained.

15 For example, Phillips Cutright mixed measurements of democracy with measurements of political stability in 'National Political Development: Measurement and Analysis', *American Sociological Review*, 28 (1963), pp. 253-64. Similarly, Jackman mixed measurements of democracy with measurements of electoral participation in the study mentioned in note 5.

always clear whether development promotes democracy or vice-versa. A typical problem of functionalist logic is also recurrent: the use of teleological reasoning, in which democracy is not explained by its causes, but by its consequences (that is, by its functions). And this long tradition of research has produced only limited knowledge on the complex relationship between economies and political regimes and its role in the genesis of democracies; the same results would appear to be derived from distinct causes, and the same causes would appear to produce different results.

Let us consider the way in which a single result, democratization, is attributed to antithetical causes. Whilst many quantitative studies suggest that economic development promotes democratization, there is also a considerable body of statistical evidence that suggests that the latter more frequently occurs when economies are in crisis. If that is the case, transitions would be a result of the failure of the dictatorships' economic management, rather than the 'unintended consequences' of their economic success. Fernando Limongi and Adam Przeworski concluded from their analysis of the Latin American dictatorships between 1945 and 1988 that likelihood of democratization taking place was twice as high if the economy had been in crisis the previous year than if it had been expanding[16]. The democratizations from communist regimes or military dictatorships during the 1980s occurred in the context of falling GDPs in real terms, fiscal crises of the states, and overwhelming foreign debt burdens. These difficulties or crises were neither a necessary nor a sufficient cause of the collapse of the dictatorships. But they did generally undermine the dictatorships' claims to legitimacy on the grounds of their greater economic efficiency. Hence they shattered the cornerstone of what might be called the 'authoritarian pact': the promise of economic prosperity in return for political acquiescence. In this way, democratization would be the result of a combination of both economic and political failure.

16 Fernando Limongi and Adam Przeworski, 'Democracy and Development in South America, 1946-1988', *Working Paper 1994/55* (Madrid, Center for Advanced Study in the Social Sciences, Instituto Juan March de Estudios e Investigaciones, 1994), pp. 6-8.

TABLE 1 - Economic conditions of regime crises (1951-1988)

1. Level of development of regimes which collapsed (in US $ 1985)	Dictatorships		Democracies	
	%	(no.)	%	(no.)
Less than 1,000	7	(3)	24	(11)
Between 1,000 and 2,000	49	(21)	44	(20)
Between 2,000 and 3,000	9	(4)	15	(7)
Between 3,000 and 4,000	16	(7)	13	(6)
Between 4,000 and 5,000	14	(6)	4	(2)(b)
More than 5,000	5	(2)(a)	-	(-)
TOTAL	100	(43)	100	(46)
Average per capita income	2,468		1,778	
2. Growth rates of regimes which collapsed				
Negative	14	(6)(c)	17	(8)(d)
Stagnation (±1%)	14	(6)	31	(14)
Positive	72	(31)(e)	52	(24)(f)
TOTAL	100	(43)	100	(46)
Average annual growth rate	2.9		1.2	

(a) The two cases were Spain in 1977 and South Korea in 1988.
(b) The two cases were Uruguay in 1973 and Argentina in 1976.
(c) The two most extreme cases were Argentina in 1963 (-3.6%) and Bolivia in 1982 (-4.2%).
(d) The two most notable cases were Bolivia in 1980 (-5.7%) and Haiti in 1961 (-5.2%).
(e) The cases with the highest rates were South Korea in 1988 (16.4%), Portugal in 1976 (9.3%), Spain in 1977 (8.2%), Ecuador in 1989 (7.6%), Pakistan in 1962 7.5%), Greece in 1974 (7.2%), and Thailand in 1979 (7.1%).
(f) The cases with the highest rates were Greece in 1967 (8.2%), Brazil in 1964 (8.2%), Thailand in 1976 (6.2%), Panama in 1968 (5.8%), Argentina in 1966 (5.5%), and Bolivia in 1968 (5.1%).

Table 1 provides some additional information on this point[17]. It covers the period from 1951 to 1988 and contains data on the collapse of 46 democracies (from 94 regimes of this type) and 43 dictatorships (from a total of 107). This evidence shows that below a level of development of two thousand dollars per capita, 31 of the 38 democracies and 24 of the 67 dictatorships collapsed; between two and four thousand dollars, 13 of the 23 democracies and 11 of the 21 dictatorships fell; above four thousand dollars, 2 of the 33 democracies and 8 of the 19 dictatorships came to an end. If we take into account both the level of development and the annual growth rate (throughout the regime's existence, although never before 1951), it can be seen that the crises of dictatorships were slightly more frequent when these levels and rates were high. Above all, however, the data show that, although both democracies and dictatorships proved vulnerable at low levels of per capita income, democracies were more vulnerable in these circumstances and when growth rates were negative or stagnant. In contrast, at higher income levels, the democracies were more stable than the dictatorships. Thus, these data suggest that economic development reinforces democracies more than dictatorships. They also raise a number of questions: for example, a large proportion of the dictatorships in Huntington's 'transition zone' were able to survive, whilst a notable number of democratizations occurred outside that zone. But, the data have limitations: they only refer to cases of regime crisis; they compare regimes with very different lifespans; the growth rates refer to averages over sometimes very long periods, which cannot reflect those cases in which the change of regime was influenced by a sharp economic downturn after a prolonged period of growth. Hence the table reflects the highly inconclusive nature of the relationship between economies and regimes. This relationship only involves 'favourable' or 'unfavourable' conditions; the probabilities vary very little; and other factors may play a decisive role in bringing about democratization. As a result, political actors possess considerable autonomy. But what seems evident is that the promotion of democracy requires support for its economic development, not the 'modernisation' of dictatorships.

17 Table 1 has been compiled from information provided by Adam Przeworski. From data referring to 139 countries and 238 regimes between 1950 and 1990, Przeworski argues that economic development does not promote democratization, and that democracies are vulnerable at low levels of development and negative growth rates. However, with regard to growth rates, aggregate data for long periods does not allow us to identify clearly the combination of economic development and acute crises that I consider lethal for many dictatorships. Furthermore, his data on levels of development show that, when these surpass a certain threshold, democracies prove immune to crises (ie. negative growth rates). Przeworski's argument is particularly pertinent in the case of poor democracies facing economic crises. See Adam Przeworski and Fernando Limongi, 'Modernization: Theories and Facts', *Working Paper n°. 4* (Chicago Center on Democracy, University of Chicago, 1994).

These apparently contradictory relationships between economy and democracy may be due to an analytical confusion. We have already seen that two contradictory causes (development and crisis) appear to have the same effect. Yet to what extent is this true? The contradiction may simply be due to the fact that we are studying different processes, which are not well reflected in the dependent and independent variables. Suppose, for example, that the breakdown of a dictatorship is the result of economic collapse; this breakdown would probably imply a traumatic rupture with the past and be followed by a period of profound political and economic instability, which might or might not lead to democracy, and, in any event, if democratization were to occur, the new regime would be hard-pressed to survive. Imagine, on the contrary, a transition coming in the wake of a long period of growth followed by a sharp economic crisis which would invalidate the exchange of material prosperity and political acquiesence. Sectors of the population would blame the interruption of economic development on the political regime; social movements created during the period of expansion would intensify the pressure for political change; and democratization would be the consequence of longer term, and more gradual, transformations than in the first example. Provided that the economic crisis does not continue indefinitely, the prospects of the new regime becoming consolidated might be greater.

This debate over which economic conditions favour democratic transitions is not solely of academic interest. It may shed light on the dilemmas faced by new democratic governments. If democracies tend to be born in the context of economic crises (as was indeed the case throughout the 1980s), then these governments will be unable to concentrate on political problems. Rather, they will encounter a two-fold problem: how to overcome the crisis and promote economic development, and how to consolidate the newly established institutions. That is, they will not be in a position to follow the traditional advice of political scientists: to avoid taking on economic and political reforms simultaneously, overloading agendas, overlapping conflicts. The economic reforms required to surmount the crises inevitably lead, at least temporarily, to a deterioration in the living conditions of a very large part of the population. If this deterioration continues, the legitimacy of the new regime may be considerably weakened, unless the provision of political goods and social protection in case of need compensates for hardship. Moreover, these economic difficulties may erode the state's capacity (i.e. its resources), and undermine both public order and the reform process itself. Indeed, these problems have been experienced by many of the recent democracies.

What has been the nature of the economic crisis and the policy responses to it? During the two decades after 1960, the GDP of the Latin American countries grew at an average annual rate of 5.2 per cent; in Eastern European countries, the net material product increased on average by 6.0 per cent in the same period. In contrast, during the five years after 1980, there was zero growth in Latin America, and growth of less than 1 per cent in Hungary, Poland, and Yugoslavia (the only communist countries for which the IMF had data). During the 1980s, the per capita GDP in Latin America fell by an average of 9.4 per cent; the annual inflation rate rose from 55 per cent in 1980 to 1,260 per cent in 1990 (and topped more than 7,400 per cent in countries such as Peru and Nicaragua), while the per capita debt rose to 1,556 dollars in Argentina, 1,539 in Chile, and 769 in Brazil. In Eastern Europe, the per capita debt in Hungary reached 1,656 dollars (the highest of any country in the world), 1,113 dollars in Poland, and 444 in Czechoslovakia. The communist economies started to collapse as a result of their lack of competitiveness, state bankruptcy, the burden of price and production subsidies, the high degree of monopolization, the enormous imbalances in the consumer markets, and the low and ever-decreasing productivity of their economies.

The causes are well-known: the escalation of oil prices in 1974 and 1979; the changes in the international financial markets; the adoption of stiffer monetary polices by the industrialized creditor countries; the enormous increase in the cost of debts following the rise in interest rates after 1982; the fall in the price of exports from these debtor countries; and the radical change in capital flows. All this provoked a serious deterioration of the states' solvency, balance of payments deficits, the stagnation or decline of the GDP in real terms, and very high inflation rates.

The consequences were the exhaustion of the protectionist strategies and populist policies which had led to an inefficient expansion of the states, excessive economic regulation, uncontrolled expenditure and massive public debt. Both in Latin America and in Eastern Europe, states faced major fiscal crises; authoritarian regimes were often also bankrupt regimes. Although the new democratic governments in Southern Europe faced far less dramatic economic conditions, the difficulties were also serious in terms of the stagnation of the GDP (with growth rates of less than 1 per cent), rising inflation (over 20 per cent), the public deficit, labour costs, and employment (above all in Spain, where 1,950,000 jobs disappeared between 1975 and 1985, whilst unemployment went up from 4.5 to 21.9 per cent). Table 1.2 shows some of the differences in the economic conditions of a number of democratizations which took place from the mid-1970s onwards.

TABLE 2 - Economic conditions at the begining of the transition

	Portugal (1974)	Greece (1974)	Spain (1976)	Argentina (1983)	Uruguay (1984)	Brazil (1985)	Chile (1989)	Poland (1989)	Hungary (1989)
GDP per capita (a)	3,352	3,478	5,568	3,509	3,524	3,282	-	1,520	2,210
Growth during preceding 3 years	29.2	24.5	-	-13.4	-18.4	1.0	26.4	11.1	4.8
Total public expenditure (b)	-	-	25.9	20.0	22.7	24.2	29.3	38.7	56.2
Tax revenue (b) (d)	32.4	26.3	27.1	16.8	21.4	15.5	22.9	35.1	49.4
Tax on personal incomes (c) (d)	5.1	10.9	16.7	0.2	2.6	0.9	3.5	-	0.6
Public deficit (b)	-	4.0	0.3	13.7	5.6	11.5	-	-	-
Inflation the previous year (%)	19	21	17	349	61	235	21	66	15
Debt per capita (b)	134	331	-	1,556	1,117	769	1,539	1,113	1,656

(a) In purchasing power parities US$ in 1980.
(b) As a percentage of GDP.
(c) As a percentage of total income.
(d) Data for Greece from 1981; Portugal and Spain, 1986; Argentina, Brazil, and Chile, 1987; Hungary and Poland, 1988.

(Source: World Bank, *World Tables*, 1989-90).

The economic crisis gradually led to a change in the paradigm of economic policies. Thus, it was increasingly accepted that markets were efficient instruments for the allocation of economic resources, that an efficient economy required price systems in order to reflect shortages and distribute resources, as well as open foreign trade to bring competition and new technologies. Accordingly, the reform blueprint consisted of ten main points[18]: tighter fiscal discipline; new public expenditure priorities; tax reform, consisting of widening the tax base rather than raising rates; positive, and market-determined, interest rates; trade liberalization and the creation of an export oriented economy; market-determined exchange rates; the removal of restrictions on direct foreign capital investment; the privatisation of publicly-owned companies; the deregulation of economic activities; and the establishment of guaranteed property rights. These were the basic elements of the stabilization policies and structural economic reforms introduced in Southern Europe, Latin America and Eastern Europe. The reforms enacted in Poland, Bulgaria, Rumania, the former Czechoslovakia, and Hungary shared such orientations; the differences had to with the lesser or greater scope of the reforms, the pace at which they were introduced, and the extent to which they were accompanied by social policies.

Inevitably, these reforms have harsh effects. Stabilization, structural economic reform, and the reduction of subsidies reduce consumption and demand, lead to the closure of inefficient companies, higher unemployment, and lower real wages. Some economists believe that these costs are in fact indicators of the reforms' success; at times this argument has been echoed somewhat masochistically by politicians. In this way, unemployment becomes a sign of economic efficiency. On a number of occasions, the Czech prime minister Vaclav Klaus had to argue that the country's low unemployment rate was not a sign that his economic policy had failed, and described full employment as 'irrational'[19]. However, this does not merely imply that blood, sweat and tears are required from society, although that is certainly the case. The high costs of reforms are necessary and inevitable, but they alone do not guarantee the success of the reform programme, and they may well prove difficult for a new democracy to assimilate.

18 John Williamson (ed.), *Latin American Adjustment* (Washington, Institute of International Economics, 1990), pp. 8-17.

19 When a journalist commented on the low level of unemployment in the Czech Republic, Klaus responded defensively, 'that it true, but it will rise'. See his two interviews in *El País*, 22 July 1991 and 9 May 1993.

Yet are democracies incapable of facing these difficulties and surviving? Rather than the effects of economic development on democratization, let us now consider the second side of the relationship between economies and political regimes: namely the *impact democracies have on development*.

2. Democracy and economic efficiency

Due to the high costs of such reforms, it has often been argued that democracies would find it very difficult to implement them, and that if they tried to do so, they would be unlikely to survive. In other words, these arguments questioned the democracies' capacity to implement efficient policies at times of crisis, as well as the possibility that they could conserve sufficient political legitimacy in these circumstances.

The different interpretations of the relationship between the economy and political regimes can crudely be summed up in the following four theses: a) markets require democratic political regimes; b) markets require authoritarian regimes; c) democracies require markets; and d) democracies require central planning and public property. It is possible, in turn, to distinguish three sequences of economic and political reforms[20]. In the first sequence, economic reforms precede political ones. The examples cited are Chile, Southern Europe, South Korea, and Taiwan. In the second, economic and political reforms take place simultaneously. The examples used are the former Soviet Union, Mexico, or Nigeria. In the third sequence, political reform precede economic one. This would be the case of Eastern Europe, Argentina, Brazil, Peru, Bolivia, or Uruguay. The examples are not always fortunate: to take just one case, in Mexico economic reforms in the 1980s were radical, while political reforms were very limited. But scepticism regarding the capacity of democratic regimes leads to the defence of the first sequence, (the temporal priority of economic reforms). At times, these doubts also inspire a preference for authoritarian regimes which introduce market-orientated reforms, as opposed to hesitant democracies. This not only implies support for the first sequence, but also for the second thesis mentioned above, namely that markets require authoritarian regimes. The following statement by the Malaysian prime minis-

20 Peter Gourevitch, 'Democracy and Economic Policy: Elective Affinities and Circumstantial Conjunctures', *World Development*, 21, 8 (1993), pp. 1,271-80; Stephen Haggard and Robert R. Kaufman, 'Economic Adjustment and the Prospects for Democracy', in Haggard and Kaufman (eds.), *The Politics of Economic Adjustment*, pp. 319-50.

ter Mahathir Bin Mohammed is a good example of these pro-authoritarian arguments:

> In the former Soviet Union and Eastern European countries, democracy was introduced along with the free market. The result is chaos and increased misery. Not only have the countries broken up, mainly through bloody civil wars, but there is actual recession and more hardship for the people than when the Communists ruled. One may ask whether democracy is the means or the end. Democracy at all costs is not much different from Communist authoritarianism, from the barrel of a gun.

In contrast,

> in a number of East Asian countries, while democracy is still eschewed, the free market has been accepted and brought prosperity. Perhaps it is the authoritarian stability which enabled this to happen. Should we enforce democracy on people who may not be able to handle it and destroy stability[21]?

Scepticism regarding the economic efficiency of democracies has usually been based on two arguments. The first is that democracies are more vulnerable to pressure to increase immediate consumption at the expense of investment and growth. This would be the result of a collective action problem discussed by Mancur Olson, namely that although in the long term different social groups would benefit from cooperative sacrifices, in the short term each would be interested in turning economic policy into a distributive game[22]. Trade unions, in competition with each other, would lead demands for consumption; the more democratic the governments, the weaker they would be; it would be impossible for a party to win elections with a programme entailing immediate sacrifices, even when promising a better future in return. This would result in an inefficient distribution of the national income, cuts in investment programmes in favour of current consumption, less freedom of action for business, and lower growth rates. The second argument is linked to the first. The state is seen as the only potentially universalistic actor, as against other actors who behave sub-optimally. Thus, only if the state is sufficiently

21 Speech to the *Europe-East Asia Economic Forum*, Hong Kong, 14 October 1992.
22 Mancur Olson, *The Rise and Decline of Nations* (New Haven, Yale University Press, 1982), pp. 41-47.

autonomous and insulated from particularist pressures will it be possible to promote the economic conditions required for growth[23].

The new democracies would be particularly weak in terms of their ability to implement unpopular austerity and adjustment programmes. This weakness would be all the greater when the transition was brought about by a process of negotiation and compromise rather than to the defeat of a dictatorship. Unless it is able to improve the population's material conditions of life, the new regime would find it difficult to survive, its legitimacy would be fragile in society, and supporters of authoritarianism would maintain their power largely untouched. Moreover, the advent of new democratic regimes is usually accompanied by a multiplication of expectations. When these come up against the reality of economic restrictions, the likely result will be intense conflicts, governmental paralysis, and, eventually, populist policies. The evidence does indeed show that the vast majority of new democracies established in the 1980s experienced this multiplication of expectations. For many people, the new regimes not only promised political rights but also better material conditions. There is a wealth of information showing that this was the case in Spain. In the case of Chile, when the dictatorship ended a large majority of the population thought that democracy would promote more rapid economic development, control inflation more effectively, cut unemployment, solve the external debt problem, and reduce inequalities. The same was true in Eastern Europe. When asked what they associated democracy with, from 67 per cent of the Czechoslovaks to 91 per cent of the Rumanians said with improved economic conditions; and 45% of the former to 88% of the latter replied that with more jobs and less unemployment; and between 58% in Czechoslovakia and 80% in Bulgaria answered that with greater equality[24].

For the sceptical vision of democracy, this data provides evidence of the vulnerability of the new regime's legitimacy, and confirms that stabilization plans and structural reforms are extremely difficult to implement. Given that economic austerity generates different types of political risks, authoritarian

23 These arguments can be found in the introduction to Walter Galenson (ed.), *Labor and Economic Development* (New York, Wiley, 1959); Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, Yale University Press, 1968), pp. 32-59, 190-208; Samuel P. Huntington and Jorge I. Domínguez, 'Political Development', in Fred I. Greenstein and Nelson W. Polsby (eds.), *Handbook of Political Science* vol. 3 (Reading, Addison-Wesley, 1975), pp. 33-43.

24 Antonio Alaminos, *Chile: Transición Política y Sociedad* (Madrid, Centro de Investigaciones Sociológicas, 1991), pp. 134-37; László Bruszt and János Simon, *Political Culture, Political and Economical Orientations in Central and Eastern Europe during the Transition to Democracy* (unpublished manuscript, Budapest, 1991), pp. 26, 33, 34.

regimes would find it easier than democracies to adopt 'orthodox' economic policies. Hence this argument leads to the more or less explicit acceptance of the second of the theses mentioned above, namely that markets require authoritarian regimes. On the basis of the Latin American experience, James Malloy has written that

> present economic policy belies the prodemocratic rhetoric because, among other things, it demands decision-making centres able to impose policies resisted by almost all segments of society. This is a task that prior cycles show is beyond the capacity of other democratic regimes in Latin America[25].

Dictatorships, in contrast, would enjoy a number of advantages which would allow them to manage their economies more efficiently. The absence of electoral cycles and the lesser dependence of governments on popular support would increase the state's autonomy and its capacity to impose unpopular economic policies; their greater indifference to interest group pressures would reduce fiscal and budgetary problems and facilitate increased savings and investment; and the more limited rotation among political office holders would make it easier for them to adopt a longer term perspective when designing and executing reforms. In this sense, Haggard writes that

> Institutions can overcome these collective-action dilemmas by restraining the self-interested behaviour of groups through sanctions; collective-action problems can be resolved by command. Since authoritarian political arrangements give political elites autonomy from distributionist pressures, they increase the government's ability to extract resources, provide public goods, and impose the short-term costs associated with efficient economic adjustment[26].

Insofar as a state dominates civil society, restricting its rights and liberties, governments will have a greater capacity to carry out their decisions. The only requisite for a correct economic policy would then be that the correct decisions are made. Hence the international institutions should use all their influence to this end. This is the essence of the political economy of authoritarianism: strong governments which follow the advice of the international financial

25 James M. Malloy, 'The Politics of Transition in Latin America', in James M. Malloy and Mitchell A. Seligson (eds.), *Authoritarians and Democrats: Regime Transitions in Latin America* (Pittsburgh, Pittsburgh University Press, 1987), p. 249.

26 Stephen Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, Cornell University Press, 1990), p. 262.

institutions, i.e. domestic ruthlessness and external submissiveness. Nevertheless, whilst this might resolve the question of which regime would be more *capable* of implementing an economic policy, it tells us nothing about which regime has more *incentives* to adopt the most appropriate policy. There is no reason to believe that this capacity in itself necessarily leads to an efficient policy rather than predatory behaviour. Why should a dictator enjoying autonomy from social pressure serve interests other than his own? Dictatorships possess greater independence from organized interests, but the power they exercise is also more arbitrary and discretional.

The argument that authoritarian regimes are more efficient has been backed up by a large body of empirical research. Most of the comparative quantitative studies carried out between the mid-1960s and the mid-1980s came to the conclusion that dictatorships promoted greater economic development than democracies[27]. Evidence for the supposedly greater capacity of authoritarian regimes to implement tough economic policies has mainly come from Latin America and East Asia. In their study of eight Latin American countries (Chile, Mexico, Costa Rica, Colombia, Venezuela, Brazil, Peru, and Argentina), Robert Kaufman and Barbara Stallings found that these countries achieved better results in terms of inflation, public deficit and wages when under authoritarian regimes, whilst the economic performance of newly established democracies was poorer than that of consolidated democratic regimes[28]. Equally, in the case of East Asia, none of the six countries with the greatest rise in GDP over the last 25 years (China, Indonesia, South Korea, Taiwan, Singapore, and Hong Kong) had democratic regimes (although elections had been held and a political liberalization was under way in some); in none was power transferred from one party to another during this period. These results are usually compared with the case of India, where growth was little over a third of that of China during the 1980s, or that of Sri Lanka, which grew little more than half as much as Taiwan in the same period. Proponents of this argument also frequently cite the cases of Franco's Spain and Pinochet's Chile, and somewhat paradoxically, in the former Soviet Union these cases were used as arguments against Mikhail Gorbachev's political reforms.

27 A chronological list of these studies figures in Appendix 2.

28 Robert Kaufman and Barbara Stallings, 'Debt and Democracy in the 1980s: The Latin American Experience', in Barbara Stallings and Robert Kaufman (eds), *Debt and Democracy in Latin America* (Boulder, Co., Westview Press, 1989), pp. 201-23. The problem with Kaufman's and Stallings's empirical evidence is that neither the data on growth rates and balance of payments, nor the experience of Uruguay and Mexico, appear to fit in comfortably with their interpretation.

Finally, the thesis that authoritarian regimes are more efficient is usually rounded off with another argument already examined, namely that developmental dictatorships eventually lead to democracy as an unintended result of the 'pluralist' impact their economic reforms have on society. Thus, the sequence of changes which prioritizes economic over political reforms would be more favourable for both development and democracy. Andranik Migranian, a political scientist and advisor to Boris Yeltsin, has written in this sense that

> it is necessary and inevitable for Russia to go through an authoritarian phase of political development on its road to a market economy and a democratic political system... The absence of a parliament and of parties and opposition movements capable of using the massive discontent against the president and the government, the control of the most important mass media, and a monolithic executive power create, for the president and the government, privileged possibilities to control the rise in social tension in a less painful way and without serious unrest[29].

It is obvious that democracy is not merely of 'instrumental' value, that it has an 'intrinsic' value related to rights and liberties, and that this is not only dependent on its capacity to promote relatively greater economic development. Yet the impact of democracy on development is also much more complex than the pro-authoritarian theses suggest. This complexity can be examined both from empirical and theoretical perspectives.

Let us begin by examining the empirical evidence. Experience does not suggest that authoritarian regimes have a special capacity to survive economic crises, but quite the opposite. In fact, as the crisis deepened after 1982 the authoritarian regimes proved particularly politically vulnerable. Transitions to democracy multiplied during the 1980s whilst regime involutions generally failed (albeit with exceptions such as Haiti, Pakistan, or Peru). Authoritarian regimes were also particularly sensitive to interest group pressures and many dictatorships were scarcely distinguished by the rigour of their economic policies. State fiscal crises and overwhelming foreign debt burdens were more often the result of the 'developmentalism' of dictatorships (the military regimes in Latin America and the communist regimes in Eastern Europe) than the 'populism' of the democracies. This was very much the experience of Argentina, Peru, and Brazil, Nicaragua, the Philippines, Haiti, Myanmar (Burma), the Central African Republic, Uganda, Zambia, or Zaire. Eastern

29 Andranik Migranian, 'La Democracia Delegada', *El País*, 21 Oct. 1993, pp. 15 and 16.

Europe and the former Soviet Union are further examples of the same phenomena, not only because they were communist regimes but also because they were dictatorships.

It is also true that when dictatorships were able to generate economic development, this did in fact eventually lead to unintended processes of liberalization and democracy. This was the case in Spain, South Korea from the early 1980s, and Taiwan after 1987 under Chiang Ching-kuo. Moreover, above a certain level of economic development, countries did tend to have democratic regimes. Thus, whilst approximately half of all governments were democracies in the 1980s, this was true of only two-fifths of the under-developed countries. In other words, democracies were concentrated in countries with developed economies, although they were not unusual (and still less impossible) in the rest. Economic growth could favour the viability of democracies, but democracies also facilitated development. After all, the only developed country in Asia was Japan. This case, along with that of Italy, undermines the thesis of the greater economic efficiency of dictatorships, since in neither country did the establishment of new democratic regimes prove an obstacle to post-war economic growth.

Towards the end of the 1980s, empirical comparative studies began to substantiate these impressions. The majority of these studies suggested that authoritarian regimes performed no better than democracies in a period of profound economic crisis[30]. Joan Nelson's analysis of the experience of 13 countries and 19 governments during the 1980s has shown that the dictatorships' were more likely to fail: half either postponed introducing necessary reforms or proved incapable of implementing them successfully[31]. The economic record of the democracies varied, but the governments led by Arias and Monge in Costa Rica, Betancur in Colombia, Aquino in the Philippines, and Seaga in Jamaica performed better than those of Marcos in the Philippines, Rawlings in Ghana, Kaunda in Zambia, or Babangida in Nigeria. The democracies achieved better economic results in culturally cohesive societies, whilst the dictatorships performed comparatively better in those countries with greater ethnic, racial, or religious divisions. There were also significant

30 These studies are also listed in Appendix 2. The shift towards the conclusion that democracies achieve better economic results is perceptible in those studies published after 1985.

31 Joan Nelson, 'The Politics of Stabilization', in Richard E. Feinberg and Valeriana Kallab (eds.), *Adjustment Crisis in the Third World* (New Brunswick, Transaction Books, 1984), pp. 99-118; Joan Nelson (ed.), *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World* (Princeton, Princeton University Press, 1990), Conclusions.

regional differences, since democracies achieved relatively better results in Latin America and Africa, whilst in Asia their economic performance differed little from that of the dictatorships. Karen Remmer has also shown that new democracies managed their economies better in terms of the evolution of their GDPs and the control of the deficit[32].Her study of 10 Latin American countries in the period from 1982 to 1989 (with a total of 29 years of dictatorship and 48 years of democracy between them), shows that whilst the democracies grew an average of 1.6 per cent annually, the dictatorships averaged a mere 0.3 per cent. Similarly, the democracies had an average annual public deficit of 3.6 per cent, compared to the 9.9 per cent of the dictatorships, even though in terms of unemployment (9 per cent in the democracies compared to 8.9 per cent in the dictatorships) both types of regimes achieved very similar results. On the other hand, John Helliwell concluded from his study of 98 countries between 1960 and 1985 that, even though "the aggregate data do not support any significant linkage between the level of democracy and subsequent economic growth, ... there appear to be important but relatively unstudied indirect linkages between democracy and economic growth flowing through education'[33]. Insofar as the democracies devoted more attention and resources to education than the dictatorships, they laid the ground for future economic development.

In view of the various political experiences considered here and the evidence presented by the many studies published over the decades, the most reasonable conclusion is that generalizations about the economic impact of political regimes are unconvincing. In Brazil, for example, both authoritarian and democratic governments opted for more 'heterodox' policies than in Uruguay. Yet in the light of the empirical evidence available, it is certainly not possible to maintain that democracy hinders development, or that authoritarian regimes implement more efficient economic policies. I believe that Przeworski and Limongi are right to argue that 'politics does matter, but regimes do not capture the relevant differences ... it does not seem to be democracy or authoritarianism per se that makes the difference but something else'[34]. But in any event, democracies do not show a greater propensity for economic stagnation or populist policies which increase the public deficit. That is, while it is not possible to draw very illuminating conclusions concerning the connection

32 Karen Remmer, 'Democracy and Economic Crisis: The Latin American Experience', *World Politics*, 42, 3 (1990), pp. 325-26.

33 Helliwell, 'Empirical Linkages', pp. 19 and 24.

34 Adam Przeworski and Fernando Limongi, 'Political Regimes and Economic Growth', *Journal of Economic Perspectives*, 7, 3 (1993), p. 65.

between political regimes and economic performance from quantitative analyses, no support can be drawn for the pro-authoritarian theses.

Further evidence for this conclusion comes from Table 3, which shows the data of regressions referring to the degree of democracy in 82 countries during the 1980s and a series of economic indicators. The independent variable consists of an index based on the extent of political and civil rights and political participation measured on a scale of 1 to a 100[35]. The three economic indicators used are: (a) economic growth rates between 1980 and 1987; (b) annual inflation rates between 1980 and 1990; and (c) the budget deficit as a percentage of the GDP in 1990[36].

35 This index has been calculated from the data contained in the study by Charles Humana, *World Human Rights Guide* 2nd ed. (London, Economist Publications, 1986).

36 The three economic indicators have been taken from United Nations, *Human Development Report* (New York, Oxford University Press, 1990).

TABLE 3 - Effects of democracy on growth, inflation, and the public deficit

	Growth GDP (1980-87)	Inflation (1980-1990)	Public Deficit (1990)
Constant	-3.287*	49.452*	-1.811
	(1.115)	(23.507)	(1.602)
Index of Democracy (1980)	.052*	-.288	-.010
	(.016)	(.346)	(.023)
R^2	.111	.009	.003
Signif. F	.002	.407	.664
No. of observations	81	80	63

Standard errors in parenthesis
* Statistically significant at 5% or less.

The results of the regressions show that the nature of the regime had a negligible impact on growth rates (although democracy had a slight positive effect). Thus, the degree of democracy in 1980 explains 11.1 per cent of the variation in the economic growth rates between 1980 and 1987; an increase of one point in the democracy index produces an increase of .052 in the economic growth rate. At the same time, there is no statistically significant relationship between inflation or the public deficit and the degree of democracy in the different countries.

Empirical studies offer a further conclusion: independently of the fact that the institutional characteristics of democracy do not prejudice economic performance, this type of regime is more likely to implement policies promoting education and equality which, in turn, reinforce democracy. According to the World Bank,

> by developing human resources and, more particularly, by investing in education, countries have been found to strengthen the basis for open political systems ..., for a given level of income, improvements in social indicators are associated with freedom and liberty ... political instability declines not only as incomes rises, but also as education improves[37].

The results of a regression analysis between the index of democracy and three indicators of social expenditure are given in Table 4. The three indicators of social expenditure are: (1) public expenditure on social welfare as a proportion of the GDP in 1980; (2) public expenditure on health as a proportion of the GDP in 1986; and (3) public expenditure on education in the same year as a proportion of GDP[38].

As the index of democracy rises, so too does public expenditure on social welfare and education. The index of democracy accounts for 23.6 per cent of the variation in expenditure on social welfare, 37.3 per cent of that on health, and 8.4 per cent of that on education in 1986. A rise of one point in this index is linked to an increase of .19 in expenditure on social welfare, .06 on health, and .025 on education.

37 World Bank, *World Development Report 1991* (Washington D.C., World Bank, 1991), p. 134.

38 As in Table 3, the index of democracy has been taken from Humana, *World Human Rights Guide*. The indicator of public social welfare expenditure comes from Richard J. Estes, *The Social Progress of Nations* (New York, Praeger, 1984) and refers to 90 countries. The indicators of public health and education expenditure have been taken from the United Nations, *Human Development Report*, which was also used in Table 3 and are based on 93 and 94 countries respectively.

TABLE 4 - Effects of democracy on social welfare, health, and education expenditure

	Public expenditure on welfare (as % GDP in 1980)	Public expenditure on health (as % GDP in 1986)	Public expenditure on education (as % GDP in 1986)
Constant	-1.832	-1.017**	2.802*
	(2.576)	(.543)	(.576)
Index of Democracy (1980)	.194*	-.059*	-.025*
	(.038)	(.008)	(.009)
R^2	.236	.373	.085
Signif. F	.000	.000	.006
No. of observations	85	89	88

Standard errors in parenthesis
* Statistically significant at 5% or less.
** Statistically significant at 10% or less.

Democratic regimes, therefore, do not manage their economies to the detriment of social policies. The relationship between political regimes and equality has been widely debated[39], but comparative statistical evidence suggests that democratization does not necessarily take place at the expense of equality. On the contrary, economic efficiency and social policies appear to be more compatible under democratic than authoritarian regimes. This has important consequences for the nature of the states. In democracies, these tend to be more complex, as well as to spend and raise more resources, largely in order to finance the more extensive social policies. As is well-known, Alexis de Tocqueville argued that, under democracy, wider social demands and a

39 The thesis that democracies promote equality has been advanced from both conservative and socialist standpoints since the end of the 18th century. For example, it was defended by John Stuart Mill during the debate on the Reform Bill of 1832, by Alexis de Tocqueville with respect to democracy in the United States, by Karl Kautsky and Friedrich Engels when discussed the effects of universal suffrage. It was also sustained by Gerhard Lenski in *Power and Privilege* (New York, McGraw-Hill Book Co., 1966). This thesis is usually based on the arguments that extension of the electorate brings egalitarian consequences, since by transferring political influence to less privileged social groups, regimes become more exposed to distributive conflicts, socialist parties win greater support and influence, elections act as the expression of democratic class struggle, and all parties need to win workers' votes.
Others, in contrast, have pointed out that lower class voters do not necessarily perceive inequality as unjust, nor do they automatically demand income redistribution. It has also been argued that political rights (and political participation) are not exercised equally by all social groups, but to a greater extent by the more privileged. Political authoritarianism may therefore be more egalitarian, since it limits these political differences. Examples of these arguments can be found in Charles R. Beitz, 'Democracy in Developing Countries', in Raymond Gastil (ed.), *Freedom in the World: Political Rights and Civil Liberties* (New York, Freedom House, 1982), as well as in Samuel P. Huntington and Joan M. Nelson, *No Easy Choice: Political Participation in Developing Countries* (Cambridge, MA., Harvard University Press, 1976). More recently, Stephen Haggard has argued from his study of South-East Asia that equality increases when labour organisations are excluded from the political arena, there is no strong corporatism, and labour markets are very flexible, since all these factors prevent social dualism (at the expense of unorganised groups which are also normally the most disadvantaged). These conditions are more likely to exist under authoritarian regimes. See Haggard, *Pathways from the Periphery*, p. 253.
Comparative statistical studies tend to provide greater support for the thesis that democracy has egalitarian effects, even though these studies normally suffer from technical problems relating to the sample of countries considered, the measurements of democracy and the evaluation of inequality. Examples of comparative quantitative studies published over the years include Phillips Cutright, 'Inequality: A Cross-National Analysis', *American Sociological Review*, 32 (1967); Harold Wilensky, *The Welfare State and Equality* (Berkeley, University of California Press, 1975); Robert W. Jackman, *Politics and Social Equality* (New York, John Wiley and Sons, 1975); Kenneth Bollen and Robert W. Jackman, 'Political Democracy and the Size Distribution of Income', *American Sociological Review*, 50 (1985); Edward N. Muller, 'Democracy, Economic Development and Income Inequality', *American Sociological Review*, 53 (1988); Larry Sirowy and Alex Inkeles, 'The Effects of Democracy on Economic Growth and Inequality', in Alex Inkeles (ed.), *On Measuring Democracy* (New Brunswick, NJ., Transaction Publishers, 1991).

greater public sensitivity to these should result in greater public expenditure and taxation[40]. Democracies have usually given rise to stronger civil societies, but also to states with more resources. The case of Southern Europe is paradigmatic of this tendency[41], but as can be seen in Table 5, greater public expenditure and revenue appear to be common characteristics of democracies.

This table shows the results of a regression analysis between, on the one hand, three indices of democracy (two referring to respect for human rights in 1980 and 1991 on a scale of one to a hundred, and the third to political participation in 1993 on a scale of one to three), and on the other, public expenditure and tax revenue as a percentage of the GDP in 1990[42]. It can be seen that whilst there was no relation between the degree of democracy in 1980 and public expenditure, in 1991 the former explains 25.6 per cent of the variation; an increase of one unit on the scale of democracy is associated with a change of .35 in the level of public expenditure as a proportion of GDP. This independent variable, both in the 1980 index and that of 1991, was linked to increased taxation; in 1991 it explains 45.3 per cent of the variation, and an increase of one unit in the scale of democracy led to a rise of .38 in fiscal revenue as a proportion of GDP. If we consider the effect of the third index of democracy in 1993, this explains 16.4 per cent of the variation in public expenditure, and an increase of one unit on the scale is linked to an increase of 7.65 in expenditure; on the other hand, this index accounts for 31.4% of the variation in fiscal revenue, and an increase of one unit produces a rise of .18 in revenue as a proportion of GDP. In short, different indicators of the degree of democracy suggest that the state tends to have more resources under democracy than under authoritarian regimes. Hence democracies appear to be characterized by no less efficient economies, by more extensive social policies, and by states which administer, through their revenue and expenditure, greater resources.

40 Alexis de Tocqueville, *Democracy in America* (New York, Harper and Row, 1988), p. 211, *passim*.

41 See the study of the Southern European experience in Luiz Carlos Bresser Pereira, José María Maravall, and Adam Przeworski, *Economic Reforms in New Democracies* (Cambridge, Cambridge University Press, 1993), pp. 77-131.

42 The first of these indices of democracy is based on the information contained in Charles Humana, *World Human Rights Guide* (London, Economist Publications, 1992). The second is based on the data in Freedom House, *Freedom in the World: Political Rights and Civil Liberties* (New York, Freedom House, 1993). The data on public expenditure and taxation has been taken from a United Nations report published after those mentioned in notes 36 and 47: *Human Development Report* (New York, Oxford University Press, 1993).

TABLE 5 - Effects of democracy on public revenue and expenditure

	Public expenditure (as % of GDP in 1990)			Fiscal revenue (as % of GDP in 1990)		
	(1)	(2)	(3)	(4)	(5)	(6)
Constant	20.547 (5.577)	4.158 (5.840)	12.295* (5.249)	10.932 (4.456)	-4.954 (4.071)	3.602 (3.744)
Index of Democracy (1980)	.139 (.080)			.179* (.064)		
Index of Democracy (1991)		.352* (.077)			.384* (.054)	
Index of Democracy (1993)			7.650* (2.191)			8.494* (1.574)
R^2	.046	.256	.164	.111	.453	.315
Signif. F	.089	.000	.001	.007	.000	.000
No. of observations	64	63	64	64	63	65

Standard errors in parenthesis
* Statistically significant at 5% or less.

Finally, these comparative empirical studies also suggest that democracies are more resilient than dictatorships to economic crises. Not only did they prove less vulnerable and fragile than was expected during the 1980s, but this was also the case over longer periods. It is true that democracies with a very low level of economic development and negative growth rates are much more vulnerable than authoritarian regimes. However, their chances of survival increase considerably once a certain minimum threshold has been reached. For example, considering the experience of Latin America between 1945 and 1988, Limongi and Przeworski have shown that after three years of negative economic growth, 91 per cent of the democracies survived the following year, compared to only 67 per cent of the dictatorships; and after five years of negative growth, 75 per cent of the democracies, but none of the dictatorships, survived the following year[43]. Similarly, Remmer's analysis of 114 stabilization programmes in nine Latin American countries over a period of 30 years[44] reveals that these more frequently led to the collapse of dictatorships than of democracies. The latter, therefore, appear to enjoy a certain autonomy with respect to economic conditions. Juan Linz has argued that this is a consequence of the fragmentation of power and responsibility in democratic regimes, which helps to ensure that inefficiency does not directly impinge on the regime's legitimacy[45]. Huntington has explained the same phenomena in terms of the separation between the 'legitimacy of the rulers', which is based on performance, and the 'legitimacy of the regime', based on rules: a crisis of the former would lead to a change of government, but not to a challenge to the regime itself[46]. Albert Hirschman, in turn, has linked it to the reserves of political support which a new regime counts on when it replaces a repressive and discredited dictatorship, as well as to the fact that democracy provides 'political goods' which may compensate for a fall in per capita incomes[47]. In any event, the result would be that democracies have more room for manoeuvre than dictatorships.

Let us now consider the theoretical arguments in favour of democracy. The empirical evidence which shows that old and new democracies achieve better

43 Limongi and Przeworski, 'Democracy and Development in South America', pp. 6-11, 20-4.

44 Karen Remmer, 'The Politics of Economic Stabilization: IMF Standby Programs in Latin America, 1954-1984', *Comparative Politics*, 18 (1986), pp. 1-24.

45 Juan J. Linz, 'Legitimacy of Democracy and the Socioeconomic System', in Mattei Dogan (ed.), *Comparing Pluralist Democracies* (Boulder Co., Westview Press, 1988), pp. 65-113.

46 Huntington, *The Third Wave*, pp. 46-58.

47 Albert Hirschman, 'The Political Economy of Latin American Development: Some Exercises in Retrospection', *Latin American Research Review*, 22, 3 (1987), p. 28.

economic results than pro-authoritarian arguments would lead us to expect may be explained by the operation of democratic markets and the character of democratic political institutions. On occasions, some economists have maintained that whilst economic markets function well, political markets do not. However, it can be argued that democratic political markets can be very competitive, that political actors may be rewarded for performing efficiently, and hence that the democracy may produce comparatively better results[48]. Electoral competition may reduce the opportunist potential of politicians to lower levels than those found in dictatorial regimes: on the one hand, politicians win reputations and suffer from their failure to fulfil promises in democratic political markets; on the other, voters have relatively more information on the politicians' identity, the party ideologies, and candidates' reputations, as well as about the opinions of very different people, organisations and groups. Democratic political institutions can also reduce transaction costs and facilitate the efficient exchange of rights. Majority rule itself may reduce the particularistic distortions which pressure groups can introduce into the political system. Political parties may act as aggregative agencies which universalize interests and hence counterbalance the influence that sectorial or local interests may have on politicians. Parties and trades unions may accept inter-temporal trade-offs and hence moderate their demands. And political leaders in democratic regimes usually have greater legitimacy in the event of having to appeal for austerity from society. Reform measures proposed by the communist government in Poland in 1987 were rejected in a referendum, but were supported in 1990 when they were proposed by Tadeusz Mazowiecki's democratic government.

Thus, the relative efficiency of dictatorships is explained in terms of their capacity, autonomy and insulation from society, whilst that of democracies is related to the existence of incentives, the responsibility of the institutions, and the predominance of universalistic interests. State autonomy from society is not necessarily a prerequisite for efficiency; not only does it fail to guarantee that the correct policies will be adopted, but beyond a certain point, it has harmful consequences for the economy. In this sense, Douglass North has argued that democratic institutions are those best able to restrict the state's 'predatory' instincts in the name of general interest[49]. According to North, since the political process conditions economic decisions, institutions have an important effect on economic exchanges. Despite the inadequacies of the vot-

48 Donald Wittman, 'Why Democracies Produce Efficient Results', *Journal of Political Economy*, 97 (1989), pp. 1,395-424.

49 Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge, Cambridge University Press, 1990), pp. 107-12.

ers' information and unequal access to the decision-making process, democracies constitute the institutional framework most closely resembling a political market, in which transaction costs permit efficient exchanges. Democratic institutions facilitate information about the costs and benefits of different policies; due to the incentives resulting from political competition, they also transmit the most efficient preferences and decisions better than authoritarian institutions do.

Jean Drèze and Amartya Sen have used similar arguments to explain why democracies may be more economically efficient. Their analysis focuses on extreme cases: the prevention of famines and the reduction of severe hardship in the Third World. In dictatorships, leaders do not suffer the consequences of their policies. 'The contribution of political pluralism relates to the importance of adversarial politics and social criticism in influencing state action in the direction of greater sensitivity to the well-being of the population. ... it is clear that the scope for effective public influence on the activities of the state tends to be greater in political systems that make room for opposition and criticism'[50]. In contrast, when there are no elections, when opposition parties are not tolerated, nor public and uncensored criticism permitted, governments do not have to pay politically for their mistakes. If democracy is defined as a regime endowed with a system of incentives capable of making governmental policy sensitive to results, then economic efficiency would not only benefit from the economic incentives introduced by the market, but also from the political incentives derived from democracy. If a free press is able to disclose information which might influence policies, it may also act as an early warning system and cause mistakes to be corrected. Thus, political incentives and information may help to explain the contrast between the experiences of famine in India before and after 1947, or in Botswana and Zimbabwe in comparison to Sudan, Ethiopia, Somalia, Chad, Mali, or Uganda, despite the existence of similar material conditions.

It is true that these arguments concerning the reasons for the greater economic efficiency of democyacy assume the existence of perfect information among voters and perfect competition among parties. Yet it is equally true that these assumptions need only be relative; the arguments remain valid provided that dictatorships and democracies differ in terms of the degree of competition and information found within them. And insofar as these arguments are plausible, they undermine both the thesis that markets require authoritarian

50 Jean Drèze and Amartya Sen, *Hunger and Public Action* (Oxford, Clarendon Press, 1989), pp. 17-9, 257-79 (the quote is from p. 278).

regimes and the sequence which gives priority to economic rather than political reforms. That is, they invalidate the ideas that defend an authoritarian path to an efficient market economy. In its 1991 report on the comparative perspectives for economic development, the World Bank noted that

> there is suggestive evidence that links features of democratic systems positively with overall aspects of development and welfare... Political checks and balances, a free press, and open debate on the costs and benefits of government policy could give a wider public a stake in reform. The need to produce good results in order to be reelected could help, rather than hinder, economic change[51].

However, these arguments focus above all on the *incentives* which explain why democracies may generate better outcomes. In contrast, they have little to say about their *capacity* to do so. To what extent are democracies able to manage their economies in the face of the pressures of electoral interest and particularistic groups? Obviously, there is no simple answer to this question. Although Haggard argues that authoritarian regimes are relatively more capable, he recognises that 'there are no theoretical reasons to think that authoritarian regimes are *uniquely* capable of solving the collective-action problems associated with development', and that 'there are no *unique* institutional solutions for reducing the political constraints on economic policy'[52]. What alternatives to the authoritarian mechanisms, therefore, may provide democracies with the capacity to implement their policies?

These alternatives depend on four conditions: the gravity of the economic crisis, the breadth of the mandate, the extent of the political consensus, and the sequence of decisions. When *economic crises* were profound and prolonged, and were not caused by uncontrollable external circumstances, governments more readily accepted that economic measures had to be taken, that these represented the best available option, and that they had no room for manoeuvre nor delay in taking decisions[53]. This mechanism of urgency helps explain many democratic governments' response to the economic crises of the 1980s: it operated in Spain in 1982, in Portugal in 1983, in Argentina in 1989, and in Poland in the same year. When crises were accompanied by a frustrating experience of partial reforms that had failed to modify the evolution of their

51 World Bank, *World Development Report 1991*, pp. 134, 133.

52 Haggard, *Pathways from the Periphery*, pp. 256, 267.

53 Nelson (ed.), *Economic Crisis and Policy Choice*, pp. 325-27; John Waterbury, 'The Heart of the Matter? Public Enterprise and the Adjustment Process', in Haggard and Kaufman, *The Politics of Economic Adjustment*, pp. 196-98, 215-17.

economies, governments proved more willing to abandon this type of response and opt for a radical change of economic policy. The policies of macroeconomic adjustment and structural reform applied in Latin America and Eastern Europe were the response to many years of timid reforms and voluntarist experiments. In countries such as Hungary or Poland, partial reforms designed to give enterprises a degree of autonomy, introduce greater competition, and further open up economies to foreign trade, failed to resolve the basic structural problems. Economic decisions were still taken according to political criteria, autonomy remained limited, the power of the state monopolies was not reduced, competition hardly increased, unprofitable enterprises continued to survive on the basis of subsidies and considerable fiscal laxity, and labour costs carried on rising. In countries such as Argentina, Brazil, or Peru, the heterodox experiments of the 1980s ended in failure: after an initial period of euphoria provoked by the apparent fall in inflation, the economic crises worsened due to the absence of fiscal reforms, undisciplined monetary policies, acquiescence in the face of demands for consumption, and the growing burdens on the states. Both in Latin America and Eastern Europe the situation became unsustainable. Paradoxically, as the crisis deepened, the governments' capacity to initiate policies of macroeconomic austerity and structural transformation increased, since both politicians and society as a whole came to the conclusion that there was no other alternative. Deep and prolonged crises can generate processes of collective learning from previous experiences. Learning processes of this type occurred in Southern Europe: in Portugal, derived from the failure of the economic policies of the 'revolution of the carnations'; in Spain, after various years of economic decline and in the light of the failed experiences of Portugal, of France between 1981 and 1982, and of Great Britain during the 1970s. The crisis forced decisions to be taken and experience helped when choosing between different policies.

However, the economic crisis was not usually a sufficient condition for the implementation of drastic economic reforms. In many cases, coalitions of groups that had benefited from existing policies organised to block any change of direction. This was clearly true in Russia, but many other examples also exist. In this context, a breakdown of the existing political formula, in the sense of a transformation of the *status quo*, or the end of an 'historical compromise', became necessary to enable a new government to choose a new economic policy paradigm. The *mandate* enjoyed by democratic governments was therefore another essential condition that reinforced their political capacity. As Peter Gourevitch has put it, "the strong state is the one with the political support to be strong'[54]. The breadth of the governments' mandate depended on the extent of their electoral victory and was manifested in two ways: through the governments' parliamentary strength and the social support they enjoyed. John Keeler has shown that this strength and support, which he terms *empowerment* and *authorization*, were the principal explanatory factors behind the very different reforms initiated by Roosevelt, Blum, Attlee, Johnson, Allende, Reagan, and Mitterrand[55]. Broad mandates, combined with acute economic crises, generally imply that the opposition is thrown into temporary disarray and previous policies are discredited. In addition, innovative teams, backed by strong leaders, are able to seize the reins of the economy. This is what happened in the cases of Pedro Aspe in Mexico, Miguel Boyer and Carlos Solchaga in Spain, Leszek Balcerowicz in Poland, three examples of what John Waterbury has labelled *change teams*[56]. The protection they received from a leader with wide popular and political support granted them a considerable degree of autonomy.

Thus, the capacity of democratic governments increased when they had broad mandates, when parliamentary and social resistance receded, and when alternative policies had been discredited. These effects multiplied when the political institutions provided governments with additional leeway for decision-making. The choice of different electoral systems, presidentialism or parliamentarism, centralism or federalism, constitutionalism or the majority principle, neo-corporatism or pluralism, have significant implications for economic policy. At one extreme, the institutions may paralyse decisions and their implementation. But at the other, they may engender governments which are insensitive to the balance of forces in parliament, or uninterested in dialogue and negotiation. Whilst a government's capacity may increase under conditions which promote 'decisionism', these may also foment political insulation which reduces the information and incentives necessary for the selection of efficient policies. For this reason, Nelson argues that 'economic reform cannot long be isolated from politics and ... politics is not always the enemy of such reforms'[57]. Governments have to listen, negotiate and persuade, both to increase the information at their disposal and to win greater support for their policies. Past the moment when a situation of acute crisis may require urgent

54 Peter Gourevitch, *Politics in Hard Times* (Ithaca, NY., Cornell University Press, 1986), p. 238.

55 John T. S. Keeler, 'Opening the Window for Reform: Mandates, Crises, and Extraordinary Policy Making', *Comparative Political Studies*, 25, 4 (1993), pp. 427-86.

56 Waterbury, 'The Heart of the Matter?', p. 191.

57 Joan Nelson, 'The Politics of Economic Transformation. Is Third World Experience Relevant in Eastern Europe?', *World Politics*, 45, 3 (1993), p. 459.

economic measures, governments need to consult and reach agreement if their policies are to be viable and they are to obtain information and cooperation from key social actors. In this way, whilst broad mandates help, they do not constitute a necessary or sufficient condition for the implementation of economic reforms. As illustrated by the case of the Aníbal Cavaco Silva government in Portugal after the 1985 elections, minority governments with an initially limited mandate may also be both capable and efficient. The empirical evidence available on the relative economic performance of majority and minority governments is, in fact, far from conclusive. *Consensus*, both among politicians and in society as a whole, may therefore be a functional alternative to a broad electoral mandate. Politicians may share the view that there are no options other than those proposed by the government; and society may also come to believe that there is no alternative to these policies, that they will probably lead to a better future, that it is rational to maximize the present value of future consumption, and that the costs and benefits of these policies are fairly distributed. In this case, consensus and agreement may open a 'window of opportunity' for ambitious economic policies to be initiated.

However, neither mandates nor consensuses last forever. In time, 'windows of opportunity' close, honeymoon periods come to an end, and governments wear themselves out. For this reason, strategies are of crucial importance. A government's capacity and efficiency are not solely dependent on political and economic conditions, but also on the *temporal sequences of policies*. Policies do not take place in a single moment of time, but constitute a process which develops in changing circumstances. The strategic dilemmas concern, above all, two interrelated issues. On the one hand, the calendar of initiatives, on the other, negotiation or 'decisionism'. Generally speaking, initiatives taken early on in a mandate have more chance of success, since governments are new, they enjoy public confidence which has yet to be exhausted, and are supported by cohesive parties, whilst the opposition has only recently been defeated. Rapid reforms will meet with less resistance, their costs will be absorbed more quickly, and policies will appear more difficult to reverse. However, the passing of time will erode trust in governments and their initiatives, and cracks may appear in their party support. For all these reasons, lost opportunities usually prove expensive for policies. Hence Przeworski has argued that economic reforms must be both rapid and radical. In Eastern Europe, 'radical programs are more likely to advance reforms farther under democratic conditions'; since 'bridges have been burned', reforms will prove harder to reverse[58]. Initiatives will be more readily accepted by society if they scrupulously follow channels of democratic debate and are complemented by social polices that lessen the costs involved.

The second dilemma refers to the choice between 'decisionist' or 'pactist' strategies. This dilemma is connected with the previous one. In the early days of a government, the 'decisionist' option will generally be easier. Later, in contrast, as the 'windows of opportunity' gradually close, governments tend to opt for a strategy based on agreement and pacts. The erosion caused by time and the shrinking of the mandate are not the only factors influencing this dilemma, however. Both the ideology of the governments and the nature of the reforms influence the choice of strategies. Thus, social democracy has tended towards negotiation and neo-corporatist strategies. In contrast, Margaret Thatcher's strategy was a very clear example of 'decisionism'; as she herself would say, 'social dialogue' means voting every five years. Certain reforms, in turn, require decisiveness and surprise, whilst others demand negotiation and persuasion. A devaluation is one thing, fiscal reform quite another.

The economic efficiency of democracy may, therefore, be a product of both the functioning of incentives and political information, and of mechanisms which reinforce its political capacity[59]. Among these, I have emphasized the gravity of the crisis, the breadth of the mandate, the extent of the consensus, and the election of temporal strategies. These mechanisms may be both accumulative and compensatory; they offer possibilities but determine nothing; it is unlikely that they operate as a necessary cause and they certainly do not constitute a sufficient one. Ultimately, other, rather intangible factors such as leadership and the cognitive maps of politicians play a decisive role. It is up to leaders to take advantage of political conditions; many waste favourable opportunities, whilst others, in contrast, are able to develop their economies even under unfavourable conditions. In any case, Gourevitch is right to argue that 'policies need politics'; the thesis that strong or authoritarian governments generate more efficient economies is usually based on a very crude conception of politics[60].

58 Adam Przeworski, *Democracy and the Market* (Cambridge, Cambridge University Press, 1991), chp. 4.

59 The importance of the democratic process and social policies for economic reform strategies has been heavily emphasized in Bresser Pereira, Maravall, and Przeworski, *Economic Reforms in New Democracies*, especially. pp. 199-220.

60 Gourevitch, *Politics in Hard Times*, p. 17.

To sum up, in this paper I have explored the relationship between political regimes and economies from two perspectives. On the one hand, I have examined the economic conditions which usually precede democratizations and the extent to which they favour or hinder political change and the consolidation of a new regime. On the other, I have considered the relative capacity of both types of regime to manage their economies and reform these when they enter into crisis. I have argued that the fatalistic thesis regarding the economic efficiency of the new democracies and their possibilities of surviving amidst serious difficulties is quite unfounded. In many places in Latin America and Eastern Europe these observations are neither obvious nor irrelevant. I have also argued that economic outcomes have not been combined with greater inequality. Democracies have tended to be associated with broader social and fiscal policies. Important differences have, of course, existed between the new democracies in terms of the political strategies and the socio-economic formula they have adopted in response to crisis. These differences have influenced, in turn, both the level of political support as well as the social distribution of the economic costs and benefits of policies. However, these variations within the new democracies is quite a different question to that discussed in this paper.

Appendix 1. The impact of economies on regimes: a chronology of comparative quantitative studies

Seymour Martin Lipset, 'Some Social Requisites of Democracy: Economic Development and Political Legitimacy', *American Political Science Review*, 53 (1959). Study of 46 European, English-speaking, and Latin American countries. Conclusion: positive effect of 13 indices of development on democracy.

James S. Coleman, 'Conclusion. The Political Systems of Developing Areas', in Gabriel A. Almond and James S. Coleman (eds.), *The Politics of Developing Areas* (Princeton, Princeton University Press, 1960). Study of 75 countries. Conclusion: positive effect of development on democracy.

Phillips Cutright, 'National Political Development: Measurement and Analysis', *American Sociological Review*, 28 (1963). Study of 77 countries between 1940 and 1961. Conclusion: positive effect of development on democracy.

Bruce M. Russett, *Trends in World Politics* (New York, Macmillan, 1965). Study of 89 countries. Conclusion: positive effect of development on democracy.

Deane E. Neubauer, 'Some Conditions of Democracy', *American Political Science Review*, 61 (1967). Study of 23 countries. Conclusion: weak effect of development (through the expansion of communications).

Donald J. McCrone and Charles F. Cnudde, 'Toward A Communications Theory of Democratic Political Development: A Causal Model', *American Political Science Review*, 61 (1967). Re-examination of Cutright's data for 77 countries. Conclusion: positive effect of development on democracy, through the spread of communications due to education and urbanization.

Mancur E. Olsen, 'Multivariate Analysis of National Political Development', *American Sociological Review*, 35 (1968). Study of 115 countries. Conclusion: positive effect of development on democracy.

Phillips Cutright and James A. Wiley, 'Modernization and Political Representation: 1927-1966', *Studies in Comparative International Development*, 5 (1969). Study of 40 countries between 1927 and 1966. Conclusion: positive effect, albeit mediated by the level of literacy and social security provision.

Arthur K. Smith, 'Socioeconomic Development and Political Democracy: A Causal Analysis', *Midwest Journal of Political Science*, 13 (1969). Study of 110 countries between 1946 and 1955. Conclusion: positive effect of development on democracy, except in sub-Saharan Africa.

Gilbert R. Winham, 'Political Development and Lerner's Theory: Further Test of a Causal Model', *American Political Science Review*, 64 (1970). Longitudinal study of the United States. Conclusion: positive effect of development on democracy, above all through education and communications.

Arthur S. Banks, 'Modernization and Political Change: the Latin American and Amer-European Nations', *Comparative Political Studies*, 2 (1970). Study of 36 countries between 1868 and 1963. Conclusion: positive effect of development on democracy.

Robert A. Dahl, *Polyarchy* (New Haven, Yale University Press, 1971). Study of 144 countries around 1969. Conclusion: positive effect of development on democracy

William Flanigan and Edwin Fogelman, 'Patterns of Political Development and Democratization: A Quantitative Analysis', in John V. Gillespie and Betty A. Nesvold (eds.), *Macro-Quantitative Analysis: Conflict, Development and Democratization* (Beverly Hills, Sage, 1971). Study of 29 countries between 1800 and 1960. Conclusion: positive effect, in terms of both stability and persistence, of development on democracy.

Robert W. Jackman, 'On the Relation of Economic Development to Democratic Performance', *American Journal of Political Science*, 17 (1973). Study of 60 countries. Conclusion: positive effect, but in a curvilinear relation.

Philip Coulter, *Social Mobilization and Liberal Democracy* (Lexington, MA., Lexington Books, 1975). Study of 85 countries. Conclusion: positive effect of development on democracy.

Kenneth A. Bollen, 'Political Democracy and the Timing of Development', *American Sociological Review*, 44 (1979). Study of 99 countries. Conclusion: positive effect of development on democracy.

George M. Thomas, Francisco O. Ramirez, John W. Meyer, and Jeanne G. Gobalet, 'Maintaining National Boundaries in the World System: The Rise of Centralist Regimes', in John W. Meyer and Michael T. Hannan (eds.), *National*

Development and the World System (Chicago, University of Chicago Press, 1979). Study of 102 countries between 1950 and 1965 and between 1960 and 1975. Conclusion: positive effect of development on democracy.

Kenneth A. Bollen, 'Issues in the Comparative Measurement of Political Democracy', *American Sociological Review*, 45, 3 (1980). Data on 113 countries in 1960 and 123 in 1965. Conclusion: positive effect of development on democracy.

Larry Diamond, 'The Social Foundations of Democracy: The Case of Nigeria', Ph. D. thesis (Stanford University, 1980). Calculations referring to 123 countries. Conclusion: positive effect of development on democracy.

Michael T. Hannan and Glenn R. Carroll, 'Dynamics of Formal Political Structure: An Event-History Analysis', *American Sociological Review*, 46 (1981). Study of 90 countries between 1950 and 1975. Conclusion: development stabilizes dictatorships.

G. Bingham Powell Jr., *Contemporary Democracies: Participation, Stability and Violence* (Cambridge, Harvard University Press, 1982). Data for 29 countries between 1965 and 1972. Conclusion: positive effect of development on democracy.

Kenneth A. Bollen and Robert W. Jackman, 'World System Position, Dependency and Democracy: The Cross-National Evidence', *American Sociological Review*, 48 (1983). Conclusion: if countries are situated on the periphery or semi-periphery of the world economy, the effect of development on democracy is less probable.

Samuel P. Huntington, 'Will More Countries Become Democratic?', *Political Science Quarterly*, 99, 2 (1984). Study of 120 countries in 1981. Conclusion: development promotes democratization.

Kenneth A. Bollen and Robert W. Jackman, 'Economic and Non-Economic Determinants of Political Democracy in the 1960s', *Research in Political Sociology*, 1 (1985). Study of 109 countries between 1960 and 1965. Conclusion: positive effect of development on democracy, but in a curvilinear relation.

Glaucio A. D. Soares, 'Desenvolvimento econômico e democracia na America Latina', *Dados*, 30 (1987). Study of countries in Western Europe, the English-speaking world, and Latin America. Conclusion: development has effects on democracy in the first two regions, but not in the third.

Zehra F. Arat, 'Democracy and Economic Development: Modernization Theory Revisited', *Comparative Politics*, 21, 1 (1988). Study of 130 countries between 1948 and 1977. Conclusion: the level of development is not a sufficient condition for democratization.

John F. Helliwell, 'Empirical Linkages between Democracy and Economic Growth', *NBER Working Paper 4066* (Cambridge, MA., National Bureau of Economic Research, 1992). Study of 90 countries between 1960 and 1985. Conclusion: positive effect of development on democracy

Larry Diamond, 'Economic Development and Democracy Reconsidered', in Gary Marks and Larry Diamond (eds.), *Reexamining Democracy* (Newbury Park, CA., Sage Publications, 1992). Study of 142 countries between 1989 and 1990. Conclusion: positive effect of development on democracy

Seymour M. Lipset, Kyoung-Ryung Seong, and John C. Torres, 'A Comparative Analysis of the Social Requisites of Democracy', *International Social Science Journal*, 136 (1993). Study of 104 countries in 1960, 1965, 1975, 1980, and 1985. Conclusion: positive effect of development on democracy.

Adam Przeworski and Fernando Limongi, 'Modernization: Theories and Facts' (unpublished manuscript, 1994). Study of 139 countries between 1950 and 1990. Conclusion: development is irrelevant for the establishment of democracies, but the growth rate is crucial for the survival of regimes.

Ross E. Burkhart and Michael S. Lewis-Beck, 'Comparative Democracy: The Economic Development Thesis', *American Political Science Review*, 88, 4 (1994). Study of 131 countries between 1972 and 1989. Conclusion: the level of economic development improves the prospects for democracy.

Appendix 2. The impact of regimes on economies: a chronology of comparative quantitative studies

Adam Przeworski, 'Party Systems and Economic Development', Ph.D. thesis (Northwestern University, 1966). Study of 57 countries between 1949 and 1963. Conclusion: Mobilizing dictatorships in middle levels of development, followed by democracies, promote development most.

Irma Adelman and Cynthia F. Morris, *Society, Politics, and Economic Development* (Baltimore, Johns Hopkins University Press, 1967). Study of 74 countries between 1950 and 1964. Conclusion: dictatorships have some positive effects at low or middle levels of development, but not at higher levels.

Ivo K. Feierabend and Rosalind L. Feierabend, 'Coerciveness and Change: Cross-National Trends', *American Behavioral Scientist*, 15 (1972). Study of 84 countries before 1965. Conclusion: there is no difference.

William G. Dick, 'Authoritarian versus Nonauthoritarian Approaches to Economic Development', *Journal of Political Economy*, 82 (1974). Study of 59 underdeveloped countries between 1959 and 1968. Conclusion: democracies generate more growth.

Samuel P. Huntington and Jorge I. Domínguez, 'Political Development', in Fred I. Greenstein and Nelson W. Polsby (eds.), *Handbook of Political Science*, vol. 3 (Reading, MA., Addison-Wesley, 1975). Study of 35 underdeveloped countries during the 1950s. Conclusion: dictatorships generate more growth.

Bruce M. Russett and R. Joseph Monsen, 'Bureaucracy and Polyarchy as Predictors of Performance: A Cross-National Examination', *Comparative Political Studies*, 8 (1975). Study of 80 countries down to 1965. Conclusion: there is no difference.

Robert M. Marsh, 'Does Democracy Hinder Economic Development in the Latecomer Developing Nations?', *Comparative Social Research*, 2 (1979). Study of 98 countries between 1955 and 1970. Conclusion: dictatorships generate more growth.

John W. Meyer, Michael T. Hannan, Richard Rubinson, and George M. Thomas, 'National Economic Development, 1950-70: Social and Political

Factors', in John W. Meyer and Michael T. Hannan (eds.), *National Development and the World System* (Chicago, University of Chicago Press, 1979). Study of 50 countries down to 1970. Conclusion: there is no difference.

Erich Weede, 'The Impact of Democracy on Economic Growth: Some Evidence from Cross-National Analysis', *Kiklos*, 36 (1983). Study of 124 countries between 1960 and 1974. Conclusion: dictatorships generate more growth.

Dirk Berg-Schlosser, 'African Political Systems: Typology and Performance', *Comparative Political Studies*, 17 (1984). Study of 38 African countries until the early 1980s. Conclusion: in certain conditions, authoritarianism generates more growth.
Roger C. Kormendi and Philip G. Meguire, 'Macroeconomic Determinants of Growth', *Journal of Monetary Economics*, 16 (1985). Study of 47 countries between 1950 and 1977. Conclusion: democracies generate more growth.

Atul Kohli, 'Democracy and Development', in John P. Lewis and Valeriana Kallab (eds.), *Development Strategies Reconsidered* (New Brunswick, NJ, Transaction Publishers, 1986). Study of 10 underdeveloped countries between 1960 and 1982. Conclusion: there was no difference during the 1960s, but a slight difference in favour of the dictatorships in the 1970s.

Daniel Landau, 'Government and Economic Growth in the Less-Developed Countries: An Empirical Study for 1960-1980', *Economic Development and Cultural Change*, 35 (1986). Study of 65 countries between 1960 and 1980. Conclusion: dictatorships generate more growth.

John P. Sloan and Kent L. Tedin, 'The Consequences of Regime Type for Public Policy Outputs', *Comparative Political Studies*, 20 (1987). Study of 20 Latin American countries between 1960 and 1979. Conclusion: growth is greatest under bureaucratic authoritarian regimes, followed by democracies and traditional military dictatorships, in that order.

Abbas Pourgerami, 'The Political Economy of Development: A Cross-National Causality Test of Development-Democracy-Growth Hypothesis', *Public Choice*, 58 (1988). Study of 92 countries between 1965 and 1984. Conclusion: democracies generate greater growth.

Robert M. Marsh, 'Sociological Explanations of Economic Growth', *Studies in Comparative International Research*, 13 (1988). Study of 47 countries between 1965 and 1984. Conclusion: there are no differences.

Frank Vorhies and Fred Glahe, 'Political Liberty and Social Development: An Empirical Investigation', *Public Choice*, 58 (1988). Study of 150 countries between 1973 and 1984. Conclusion: democracies generate more growth.

Gerald W. Scully, 'The Institutional Framework and Economic Development', *Journal of Political Economy*, 96 (1988). Study of 115 countries between 1960 and 1980. Conclusion: democracies generate more growth.

Robert J. Barro, 'A Cross-Country Study of Growth, Saving, and Government', *NBER Working Paper 2855* (Cambridge, MA., National Bureau of Economic Research, 1989). Study of 72 countries between 1960 and 1985. Conclusion: democracies generate more growth.

Kevin B. Grier and Gordon Tullock, 'An Empirical Analysis of Cross-National Economic Growth, 1951-80', *Journal of Monetary Economics*, 24 (1989). Study of 59 countries between 1961 and 1980. Conclusion: democracies in Latin America and Africa generate more growth, whilst there is no difference in East Asia.

Karen L. Remmer, 'Democracy and Economic Crisis: the Latin-American Experience', *World Politics*, 62 (1990). Study of 11 Latin American countries between 1982 and 1988. Conclusion: slight difference in favour of the democracies.

Larry Sirowy and Alex Inkeles, 'The Effects of Democracy on Economic Growth and Inequality: A Review', in Alex Inkeles (ed.), *On Measuring Democracy* (New Brunswick, NJ., Transaction Publishers, 1991). Reevaluation of 13 studies carried out before 1988. Conclusion: there is no difference.

Abbas Pourgerami, 'The Political Economy of Development: An Empirical Investigation of the Wealth Theory of Democracy', *Journal of Theoretical Politics*, 3 (1991). Study of 106 underdeveloped countries in 1986. Conclusion: democracies generate more growth.

John F. Helliwell, 'Empirical Linkages between Democracy and Economic Growth', *NBER Working Paper 4066* (Cambridge, MA., National Bureau of Economic Research, 1992). Study of 98 countries between 1960 and 1985. Conclusion: there is no difference.

Gerald W. Scully, *Constitutional Environments and Economic Growth* (Princeton, Princeton University Press, 1992). Study of 115 countries between 1960 and 1985. Conclusion: democracies generate more growth.

Marc Lindenberg and Shantayanan Devarajan, 'Prescribing Strong Economic Medicine: Revisiting the Myths about Structural Adjustment, Democracy, and Economic Performance in Developing Countries', *Comparative Politics*, 25, 2 (1993). Study of 69 dictatorships and 23 democracies during the period 1973-81, and 59 dictatorships and 33 democracies during the period 1982-88. Conclusion: democracies promote growth more than the dictatorships do (but the established democratic regimes more than the new ones).

Fernando Limongi and Adam Przeworski, 'Democracy and Development in South America, 1945-1988', *Working Paper 1994/55* (Madrid, Center for Advanced Studies in the Social Sciences, Instituto Juan March de Estudios e Investigaciones, 1994). Study of 10 Latin American countries between 1946 and 1988. Conclusion: there are no differences in the rate of growth, but democracies are more capable of surviving.

Surjit S. Bhalla, 'Freedom and Economic Growth: A Virtuous Circle?' (unpublished manuscript presented at the I Symposium on Democracy, Nobel Foundation/University of Uppsala, 1994). Study of 90 countries between 1973 and 1990. Conclusion: democracies generate more growth.

Biographical Note

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