WEALTH AND REGIME FORMATION: SOCIAL AND ECONOMIC ORIGINS OF

THE CHANGE TOWARD DEMOCRACY

Mehmet Gurses, B.A.

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APPROVED:

T. David Mason, Major Professor
J. Michael Greig, Committee Member
Andrew J. Enterline, Committee Member
John Booth, Committee Member
James D. Meernik, Chair of the Department
    of Political Science
Sandra L. Terrell, Dean of the Robert B.
    Toulouse School of Graduate Studies

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This study explores the relationship between economic development, social mobility, elites, and regime formation. I argue that the genesis of regime formation, in general, and of democratic regimes, in particular, is determined by the type of economic structure a society possesses, on the one hand, and on the degree the to which demands from disfranchised groups do or do not pose a substantial threat to the interests of elites who occupy the upper strata of the social and economic status hierarchy.

Second I demonstrate that the dynamics of transition to wider political participation, as the core element of a democratic system of governance, and the survival of such change are different. In what follows I illustrate that some factors that have been found to dampen the chances for wider participation or have been found to be unrelated to onset of a democratic system of governance have considerable impacts on the durability of the democratic regimes. In a nutshell, the analysis points to the positive effects of mineral wealth and income inequality on the prospects of a democratic survival. Using a cross-national time series data set for all countries for the period between 1960 and 1999 I put the hypotheses to the test. I use binary logit, ordered logit, and ordinary least squares (OLS) to delineate the link between socioeconomic changes and the transition to wider participation. Survival analyses are employed to test for what factors account for the durability of a democratic regime.

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CHAPTER I

INTRODUCTION

As the conflict between the USA-led coalition forces and Iraqi insurgency

intensifies, the hopes for a stable democratic Iraq fade away. Scholars and policy makers

alike have pointed to the ethnic and religious fragmentation, the absence of a strong civil

society, a hostile political culture (i.e., Islam), and abundant oil-revenues to substantiate

their claim that the prospects for a durable democracy in a country like Iraq are dim. The

fledgling democratic regime in Iraq is just one of the new democracies that have emerged

in the last decades.

The democratization wave that has been identified by Samuel Huntington as the

third wave has brought about democratic regimes with large amount of variation. Within

less than two decades "between 1974 and 1990 more than thirty countries in Southern

Europe, Latin America, East Asia, and Eastern Europe shifted from authoritarian to

democratic system of government" (Huntington 1991-1992, 579). The trend, however,

has not stopped. In the last decade or so several other authoritarian regimes ranging from

Albania to Indonesia have joined the democratic camp.

Furthermore, contrary to what conventional wisdom would expect, several natural

resource-rich Muslim countries have been moving toward greater participation. Besides

the fledgling democracies in Afghanistan and Iraq that came into being as a product of

the USA-led invasions and the major regime change in Indonesia that ended decades-long

authoritarian system of governance, movements toward democracy in several natural resource-abundant Muslim countries (e.g., Algeria, Bahrain, Kuwait, and Oman) in a region that "has long been perceived as a site of entrenched authoritarianism" (Bellin 2002, 8) pose a challenge to the conventional wisdom. More specifically in addition to the democratization events in Latin America a region that has long been identified by some scholars as not a fertile ground for the emergence of democratic regimes due mainly to its "Catholic-Thomistic" culture (Wiarda 1992, 6; also see Huntington 1984) recent movements toward democracy in countries like Indonesia and Jordan bring the current theories of democratization into question.

The recent democratization trend has generated a large number of democratic regimes with significant amount of variation. The regimes that have taken an important step toward democracy range from countries with substantial agricultural sector such as Guatemala and El Salvador to highly industrialized countries such as Spain, South Korea, and Taiwan. In addition to oil-rich democratic countries such as Venezuela, Trinidad and Tobago, and Norway, democratic transitions in several resource-rich countries such as Indonesia, Mexico, and Russia have increased the number of democratic regimes with abundant natural resources, two variables that the conventional wisdom has deemed to be intrinsically at odds with one another.

The movements in countries that have been regarded with little or no prospects for democratization call the current approaches and their findings into question. What accounts for movements toward democracy in countries with high levels of economic inequality, a weak bourgeoisie, and substantial natural resources? More importantly, with

many authoritarian regimes joining the democratic camp and many others moving toward introducing democratic institutions (e.g., Jordan, Algeria, Nigeria) one wonders about the future of the recent wave of democratization. Despite the considerable ground gained in the last decades in favor of democracy, how sustainable or vulnerable are the new democratic regimes? Recalling the authoritarian backlashes in the 1960s one wonders what are the prospects for democratic survival in countries with diverging socioeconomic structures. Will they survive economic and political crises or as in the past will they prove to be ephemeral?

Despite a large body of literature on the genesis of democratic regimes, scholars have failed to reach a consensus on the mechanisms through which previously disfranchised segments of a society become participants in the political decision-making body. Following Lipset's (1959) seminal work, *Some Social Requisites of Democracy*, scholars have engaged in a heated debate over the dynamics of democratization. Although some (e.g., Przeworski and Limongi 1997; Przeworski *et al.* 2000) have challenged the validity of the economic development-democracy hypothesis it nonetheless "has been tested most thoroughly" (Vanhanen 1997, 21). The modernization hypothesis first advanced by Lipset and later extended and tested by others contends that countries with higher levels of wealth, literacy, urbanization, and industrialization are more likely to establish stable, effective, and legitimate democratic regimes.

Although the modernization theory does not explicitly state the role of widely distributed resources in democratization implicit is the hypothesis that economic development functions as an equalizing force by shifting the shape of social structure

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from a "an elongated pyramid, with a large lower class base, to a diamond with a growing middle class" (Lipset 1959, 83). The link between economic equality and democracy becomes clearer in Vanhanen's statement. Economic development, Vanhanen (1997, 24) argues, lays the groundwork for democratic regimes to the extent it leads to widely distributed power resources: "…democratization takes place under conditions in which power resources have become so widely distributed that no group is any longer able to suppress its competitors or to maintain its hegemony." In *Democracy and Redistribution* Boix (2003) elegantly spells out the link between the asset specificity and regime type. But economic equality still occupies the cornerstone of Boix's theory. Economic equality, he asserts (2003, 3), not only facilitates a peaceful transition from an authoritarian regime to a democratic system of governance characterized by universal suffrage, but also helps sustain a democratic regime.

Proponents of the equality-democracy hypothesis (e.g., Dahl 1971; Muller 1995; 1997; Ember *et al*. 1997; Vanhanen 1997; Boix 2003) have pointed to the inimical effects of inequalities of various forms on democratization.[1] The rationale behind this assumption is that power concentration provides incentives for the owners of power (i.e., resources) to opt for authoritarian regimes, on the one hand, and derail the democratic process on the other out of fear that the majority (the poor) will pressure the state for redistribution. Pointing to the distributional aspects of democracy, Acemoglu and Robinson (2001, 938), for instance, conclude that democracy becomes a preferred outcome for the poor since "…in democracies [they] impose higher taxes on the rich than

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[1] For an extensive survey see Midlarsky (1997).

in nondemocratic societies. This…simultaneously [gives] the rich an incentive to oppose democracy." In a similar vein, Boix (2003, 3, emphasis added) argues "…democracy prevails when either *economic equality* or capital mobility are high in a given country. As the distribution of assets and income become more balanced among individuals the redistributive impact of democracy diminishes and the probability of a peaceful transition from an authoritarian regime to universal suffrage increases."

Theories that bridge equality and democracy in general and those that put emphasis on the redistributive aspects of a democratic system of governance in particular suffer from two major setbacks. First, equality may not be a necessary condition for democratization. Second, the assumption that the poor will levy high taxes on the rich in a democratic regime may not hold under all circumstances. Therefore, "heavy reliance on egalitarianism as a necessary condition for the emergence of political democracy requires much more scrutiny" (Crenshaw 1997, 106).

First, economic inequality exists in all forms of regimes and asset redistribution is not a defining feature of democracies. On the contrary the most drastic redistributive policies have been undertaken by authoritarian regimes. Land reform as the most influential remedy to the most obvious form of inequality in developing and less-developed countries has been implemented to sustain authoritarian regimes. The beneficiaries of Marcos' land reform in the Philippines in the early 1970s, for instance, became "a significant source of rural support" for the authoritarian regime until its collapse in 1986 (Mackie and Villegas 1993, 104). Similarly, the authoritarian Latin American and Caribbean countries that implemented successful land reforms (e.g.,

Bolivia, Cuba, Mexico) did not experience any substantial political regime changes after redistribution of the land (see, for instance, Meyer 1989; Dorner 1992). Likewise, non-democratic governments in South Korea and Taiwan redistributed 50 and 24.6 percent of the arable land in 1949 and 1949-1953, respectively, to defuse rural protests and insurrections that arose following land reforms in North Korea and Mainland China (Acemoglu and Robinson 2001). Nonetheless, neither country experienced any substantial political regime change until the mid-1980s (with the exception of South Korea's short-lived democratic stint in 1960).

Second, the assumption that "the median voter, who is a poor individual, will set taxes to maximize his income" (Boix 2003, 23; see also Acemoglu and Robinson 2001) in a democratic regime may not hold. Transition to democracy does not necessarily change the balance of power between previously disfranchised segments of a society and powerful groups. Nel tests whether "higher levels of inequality lead, in democracies at least, to government initiatives to redistribute wealth through progressive tax systems" (2005, 23) and concludes that "it is naïve to believe that the introduction of competitive elections and extension of civil liberties would of itself negate the impact of hegemony and promote redistribution" (2005, 36). Nel's findings suggest that the transition to electoral democracy does not help the poor but rather strengthens the rich and concentrates income (also, see Bollen and Jackman 1985, 448). Overall the discussion casts doubt on the proposed link between democracy and the power of median voters (the poor) to levy high taxes on the rich.

Third, the assumption that inequalities generate discontents and frustration among members of a society, thereby undermine the legitimacy of the regime, requires further scrutiny. As Bollen and Jackman (1985, 440, also see Bollen and Jackman 1995) have aptly stated "…to have such an effect, inequality has to be perceived as unjust, and there is no reason to believe that inequality automatically generates perceptions of inequity." They continue, "even in the presence of high inequality, regimes can maintain a degree of legitimacy by invoking other political symbols – for example, those that appeal to nationalists sentiments" (ibid., 452).

To sum up, modernization theory and its extensions that have proposed a negative relationship between inequality and democracy rests upon some shaky assumptions. The argument undermines the role of elites in a socioeconomic structure and overstates the power of lower classes, presumably empowered by the introduction of democratic institutions, to impose their will upon the rich. The upper classes often have the capabilities and the willingness to manipulate the system in such a way that blocks redistribution. As Dorner (1992, 35) states more clearly "so long as people whose interests are threatened by reform hold power, they will find ways of assuring that legislation will be ineffective." That is a change in *de jure* political power (i.e., transition to a democratic system of governance) does not necessarily result in a change in *de facto* power. On the contrary, the empowerment of the majority (the poor) as a function of a change in the regime (i.e., democratization) leads elites to invest in *de facto* political power to offset their loss of *de jure* political power. In other words economic institutions

and the elites' position in the system of social stratification remain intact even after a change in the distribution of *de jure* political power (Acemoglu and Robinson 2006a).

In this study I propose a theory of regime change and democratization that emphasizes power differences between the upper and lower classes and establishes that the transformation of elites' and/or lower classes' interests, as a function of economic transformation, is the key behind the transition to and survival of more inclusive regimes. Building upon the previous studies (e.g., Lipset 1959; Burton *et al*. 1992; Boix 2003; Acemoglu and Robinson 2006b; Higley and Burton 2006) and putting *threat* and *social mobility* concepts into the foundations of the theory, I delineate the complex relationship between income source, economic transformation, and elites in fomenting wider participation and help sustain a change toward it.

I argue that the emergence of power-sharing institutions and their durability are determined primarily by the interactions between the upper and lower groups in a social structure. More specifically, the emergence and durability of democratic regimes become a function of a type of economic development that provides alternative avenues to the power without directly threatening the established elites' vested interests. The argument, therefore, is based upon the nature of wealth a society possesses, on the one hand, and whether groups that occupy the upper level of a social structure support the democratic change, on the other.

As such the theory and the empirical findings provide support for the modernization theory, yet they suggest a different causal mechanism. Industrialization, as Modernization theory contends, paves the way to wider participation not by leading to an

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increase in wealth and reducing the gap between the poor and the rich but rather by empowering the poor without endangering the elites' established positions on the socioeconomic ladder. More specifically, it is my contention that the causal relationship between economic development and democratization is not necessarily a function of increased wealth. The relationship between an increase in wealth and democratization is conditioned by whether such an increase provides alternative paths for the lower classes to gain strength without threatening the established elites' position within the system. As such, democratization becomes a function of two intertwined factors: The nature of wealth that enables lower classes to move up within the social and political structure, and the degree to which groups that occupy the upper levels of the social ladder are not directly threatened by such movement. The theory proposed in this study, hence, has strong elitist elements and stresses the vitality of socioeconomic transformations that provide alternative paths to power, thereby reducing the nature and degree of threat to elites posed by disfranchised groups gaining a voice in the system. The elites' role becomes more visible with respect to the chances to sustain a democratic regime. A transition to wider participation, through the introduction of democratic institutions is not likely to survive if it is not supported by the upper classes. The pressure from lower classes, emboldened by the introduction of democratic institutions, will generate conflict between the poor and the rich in which the latter are more likely to prevail.

Despite a large body of literature on democracy and democratization the elites' role in the process has not been subject to cross-country empirical analyses. With very few exceptions [e.g., Higley and Burton (2006) provide a detailed comparative historical

analyses of elites' role in democratization], current large-N cross-country studies have often ignored the crucial link between elites and democratic regimes. By proposing a theoretical framework to dissect the transition to and survival of democratic regimes, I bring the elites back to the picture.

The theoretical framework proposed in this study further sheds light on the inconclusive debate over which class is responsible for bringing about democratic regimes. Contrary to Modernization theory, which emphasizes micro dynamics of regime formation, the proponents of structural approach, introduced by Moore (1966) and then adapted, criticized, and tested by others, draws attention to the deep class relationships to trace the genesis of regime formation. The crucial role assigned to the bourgeoisie, epitomized in Moore's famous (1966, 418) "no bourgeoisie, no democracy" statement, has been criticized by some (e.g., Rueschemeyer *et al*. 1992) on the grounds that the role of the bourgeoisie in bringing about democratic regimes is limited to procedural democracy: It is a working class empowered by capitalist development that pushes for full democratization.

This study demonstrates that it is not a specific class that plays the key role in bringing about democratic regimes. Rather any group that occupies the higher echelons of a socioeconomic ladder can become an agent of stagnation and block the transition if the lower classes' demands are perceived as a serious threat to its position in the system. As such the theory gives insights to Bellin's (2000) argument that support for democracy is not universal but rather conditioned by each group's position in the system. However,

this study also shows, in accordance with Boix (2003), that the type of economic development and the nature of income a society possess matter.

Besides overlooking the crucial role played by elites for any substantial change to occur in a society, the current theories lump transition to and survival of a democratic system of governance together and fail to sort out the different dynamics at play. With very few exceptions (i.e., Przeworski and Limongi 1997; Collier 1999; Przeworski *et al*. 2000) scholars tend to blur factors that play a role in transition to democracy with those that influence the survival of a democratic regime. I establish that once a country takes a substantial step toward wider participation the logic and the rules of the game undergo substantial changes. Consequently, the negative effect of some variables (i.e., natural resources) vanishes as a function of a change in the regime. On the contrary, the evidence from several resource-rich countries and from empirical analyses clearly illustrates that the relationship between abundant natural resources and democracy is much more complex than the current studies have argued: Natural-resource wealth can become a *blessing* for a democratic system of governance by helping to sustain the regime. In a similar vein, economic inequality helps prolong a democratic system of governance by inducing elites to stick by the rules of the game. As such, this study fills the gap by showing the different dynamics at play in transition to and survival of democratic regimes and by bringing the elites back into the equation.

This study further makes a contribution to the current democracy literature by analyzing all substantial steps toward wider participation. Emphasizing participation and inclusiveness as the key elements of democratic systems of governance, I show that

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current studies have overlooked important political changes in several countries simply because they have not passed some threshold value on a democratization scale. Dichotomous measures, as employed in the current literature (Przeworski *et al*. 2000; Boix 2003), fail to distinguish between countries that have made a substantial improvement toward democracy and those that have not. Dividing countries into two broad camps –democracies and non-democracies- ignores the variation within these two broads categories. Such coding, for instance, lumps Algeria, Iran, Jordan, Malaysia, and Saudi Arabia together and fails to distinguish substantial differences in, say, Saudi Arabia's polity and that of Jordan. The Jordanian liberalization process of early 1990s, as "one of the most significant experiments in political liberalization in the Arab world" (Mufti 1999, 100), has resulted in several important changes ranging from legalization of political parties, competitive elections, ending martial law that was in effect for more than 20 years, to laying the groundwork for the emergence of relatively free and open press (Ryan and Schwedler 2004, 138, 141). Obviously by the standard indices of democracy most of these events are far from a transition to democracy. A democratic transition, however, does not come over night and as Epstein *et al*. (2006, 552) have aptly put it "democracy is a process, not an end state. And it is often the case, the journey is more important than the destination." Therefore, treating regimes with some important democratic elements or "a considerable element of popular influence" (to borrow Lipset's (1960, 48) words), the same as regimes with essentially no democratic properties is fundamentally misleading.

The study proceeds as follows. In the second chapter, I propose a theory of regime change and explain how the nature of income and the transformation of a socioeconomic structure facilitate or hinder the prospects for wider participation. This chapter also substantiates the link between economic development, the nature of wealth, and elites' role by providing details from several democratization cases.

In chapter III I provide details on democratization events from countries with large agricultural sectors (e.g., El Salvador), as well as a more detailed case study on democratization in Taiwan, a country that has achieved a high level of industrialization. These cases reveal extensive variation and information regarding the dynamics of economic structure, elites, and democracy. This analysis should shed light on the crucial role of the transformation of the elites' interests for a democratic regime to emerge and endure.

In chapter IV, I test the hypotheses derived in chapter II regarding the dynamics of democratic transition. Employing binary logit, ordered logit, and ordinary least squares (OLS) methods I analyze the data for all countries with available data for the period between 1960 and 1999. I conclude this chapter with a discussion of the results.

In chapter V, I analyze the dynamics at play in survival of a change toward democracy. I first spell out the complex relationship between some variables that the conventional wisdom has deemed inimical to the emergence and survival of a democratic system of governance. More specifically, I propose a theoretical framework from which I derive testable propositions with regard to the complex relationship between abundant natural resources (especially oil-wealth), economic inequality, and democratic survival. I

contend that the effect of these variables undergoes substantial changes as a consequence of the institutional changes that accompany democratization so that oil-wealth and economic inequality, contrary to conventional wisdom, play a constructive role in sustaining a change toward wider participation.

The hypotheses derived in chapter V are put to the test in chapter VI. I analyze all changes toward democracy (CTD) between 1960 and 1999 and employ a set of survival models to analyze what factors account for survival of a change toward democracy. The analyses of the cross-country global sample reveal striking findings. Although the findings confirm the modernization hypothesis, they suggest a rather different casual mechanism: Increased wealth, as a function of industrialization, lays the groundwork for democracy, and helps sustain it, by providing alternative paths for power, thereby reducing the threat from below and securing the elite's position.

The effect of mineral wealth is much more complex than the way it has been depicted in the current literature. Oil-wealth decreases the chances to achieve greater participation yet this effect becomes positive once a country passes a certain threshold. That is, the demands from lower classes for a voice in the system, in a country with large extractive resources, alert the upper classes, thereby making them become an agent of stagnation and block the transition. Nonetheless, once such a country takes a step toward greater participation, large oil-revenues help elites by placating them and by generating a large sum to overcome economic and political bottlenecks.

Likewise, consistent with the theoretical expectation, high levels of economic inequality and elites support for a change toward democracy substantially decrease the

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odds of an authoritarian backlash. As such the findings provide support for Burton *et al.*'s (1992) and Higley and Burton's (2006) main proposition that "the sine qua non" element of liberal democracies is elite support. The findings pose a challenge to the current studies that have stressed the inimical effects of oil-wealth and economic inequality on democracy.

In chapter VII, I summarize the findings and discuss their utilities for the current democratization events.

CHAPTER II

A THEORY OF REGIME FORMATION AND DEMOCRACY

The theoretical framework laid out in this study rests on the assumption that the source of conflict among individuals and groups alike comes from competition over power and resources. A society is considered to be composed of upper and lower classes. The terms *upper classes*, ruling elite, rich, and governing coalition are used interchangeably. All refer to groups or individuals that are in control of substantial portions of the nations wealth and occupy the top echelons of the social order. Because they control important shares of national wealth, they can "substantially" and "regularly" affect the political outcomes (Burton *et al*. 1992, 8). Similarly, the terms *lower classes* and poor are used interchangeably in reference to those not at the top of the social order and not in possession of enough economic resources to provide a viable challenge and/or alternative to the upper classes' control over power. Perhaps no society has such clear borders between upper and lower classes; some will fall in between on the social ladder. However, for analytical purposes one can divide a society into two broad categories; upper and lower classes.[2]

This definition departs from Burton *et al*.'s (1992) and O'Donnel and Schmitter's (1986) elite definitions.[3] I concur with Burton *et al*. (1992, 8) that elites are characterized

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[2] Previous studies (e.g., Boix 2003; Acemoglu and Robinson 2001; 2006a; 2006b) have adopted a similar strategy for the purpose of theory construction. Also see Bueno de Mesquita *et al*. (2003); Tilly (1978); and Ilchman and Uphoff (1969).

[3] Burton *et al*. (1992) and O'Donnel and Schmitter (1986) emphasize the role of "elite settlement" and "elite pacts," respectively, in the formation of democratic regimes.

by their ability "to affect national political outcomes regularly and substantially." Their definitions, however, does not distinguish between powerful groups or individuals from the lower classes and upper classes. The lower classes' struggle against the upper classes to achieve a higher rank on the socioeconomic scale might produce some organized movement from which an elite group emerges and articulates the demands from below. However, in a given social and political order there exist some groups that are able to "regularly" and "substantially" affect the political outcomes and they might face challenges/demands from lower classes. Obviously, the outcome of such challenge will be determined and shaped through interactions between the representatives of the lower classes (i.e., the opposition elites) and the upper classes. However, elite in this study refers only to those who already occupy the upper level of a social structure. With that assumption we can develop a better understanding of how new groups emerge that ask for a say in the system and their rising demands result.

Actors (groups and individuals) seek to enhance their position in the system through asset utilization. More specifically, one's location in the system is a factor of assets such as wealth, personal origin, age/gender, and special proficiency (Bueno de Mesquita *et al*. 2003). Of these assets, however, wealth is of vital importance since it can easily be translated into political power. Actors with greater wealth are likely to be more influential and have more say in the decision-making process. Therefore, one can dissect a society into actors whose positions in a political system are mainly a factor of the amount of wealth they possess. That is not to deny the effect of other factors or the reciprocal relationship between an actor's position in the system and wealth. The central

mission of this study, however, is to explore what factors determine one's position within

the system in the first place and hence shape one's behavior toward others' demands for

power-sharing.

As actors in upper and lower classes strive to strengthen their position in the

system, lower class mobilization in the political system exacerbates uneven and

unbalanced power relations between ruling elite and groups asking for political and

economic rights. This might result in either inclusion of new groups into the political

system or the repression of the new groups' demands by the ruling elite. During the

course of these interactions, unless lower classes overthrow the elites, what the existing

elite decides to do is more consequential than the actions of lower classes due to power

disparities between them and the lower classes. Given that revolutions are rare,

interactions between these groups are more likely to take the form of either repression or

concessions. The following questions then arise: What shapes the outcome of such a

struggle for power? What shapes the ruling-elite behavior? Why do some ruling elites

respond to public demands with concessions while others respond with repression?

Perhaps the most common criterion used to evaluate the degree of inclusiveness in

a political structure is the size of the governing coalition.[4] The decision to expand the

size of the governing coalition, however, is subject to the nature and the source of actors'

wealth. The state, as the most powerful organization in a society and as a coveted source

of wealth and power, represents power distribution in a society and is more likely to best

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[4] Bueno de Mesquita *et al*. (2003), for instance, argue that democracies relative to autocracies have larger "selectorates" from which members of "winning coalition" are selected.

serve the elites' interests.[5] Groups or individuals who are in control of the state apparatus receive higher shares of goods produced by the system. The more actors benefit from the system, the less likely they will ask for a change, and the more likely they will adopt repressive measures, if necessary, to secure their interests. Those who do not have access to resources controlled by the political system are likely to fight to become a part of the small coalition that controls the resources. The gainers in this system are not likely to accept the inclusion of lower classes if such inclusion threatens their interests (i.e., reduces the amount of the goods they receive). This indicates that the lesser the threat posed from lower classes as they gain leverage, the more the upper classes will be willing to accept their inclusion into the decision-making process.[6]

Expansion of the governing coalition is likely to be a threatening movement if the wealth of the coalition members is primarily derived from resources that by their nature cannot be easily divided and shared. Figure 1 shows how expansion might reduce the amount of goods available to the elites if the previously disfranchised segments of the society are included in the governing coalition.

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[5] The state in this study is not treated as an entity insulated from its environment. Statists (e.g., Skocpol 1979) have argued that state should be treated as an autonomous actor while others (e.g., Geddes 1994) argue that state should not be treated autonomous from contending social forces. For a detailed discussion on this, see Geddes (1994, 1-19).

[6] Acemoglu and Robinson (2000a, 126) point to a similar argument to explain why some countries adopt new technology whereas others do not. They contend that "groups whose political power (not economic rents) is eroded," with the introduction of new technology (e.g., railroads), "will block technological advances." As such, they propose a "political-loser hypothesis," as an alternative to "economic-loser hypothesis," which contends that powerful actors "block the introduction of new technologies in order to protect their economic rents." Whether one agrees with the "political-loser" or "economic-loser" hypothesis, the importance of powerful groups stands out. Besides, as mentioned earlier, in this study, I adopt a definition of upper classes that combines economically and politically important actors.

Figure 2-1. Governing coalition size and members' share of wealth.*
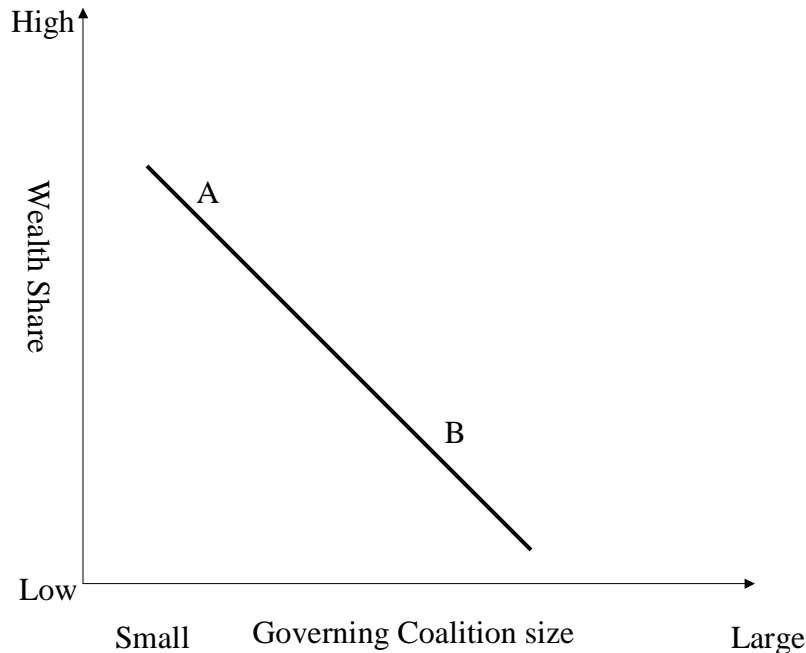
*Adapted from Bueno de Mesquita et al. (2003, 335).

Expanding the governing coalition (moving from A to B) should be unlikely in political structures where a substantial reduction in the welfare of ruling elites is at stake. The pressure from below to expand the coalition size, in this case, is more likely to end up with repression because of the uneven balance of power between governing elite and lower classes. On the other hand, if interests of the members of the coalition are not mutually exclusive with the inclusion of new members, expansion will become more likely (e.g., the expansion will not necessarily threaten the interests of commercial and industrial elite because the demands from lower classes are not likely to be zero-sum).

Nature of Wealth and Regime Formation

Figure 1 depicts a polity where the amount of each member's wealth is mainly a factor of the size of the polity. The larger the coalition size, the less each member's share of wealth will be. The nature of wealth, on the other hand, determines the size of the governing coalition. Where a society possesses non-divisible resources (such as land), the number of actors who can benefit from these resources will be small. Unless the population is small and resources are abundant, those who are in control of them will not be willing to share, and those who do not have access to them will fight for control. Due to power differentials between classes, upper classes are likely to adopt authoritarian institutions and use repressive measures to quell lower classes' demands for voice in the system and a share of resource wealth. Countries with a small population and abundant resources are not as conflict prone as countries with large populations. Yet they still are likely to develop authoritarian regimes because upper classes will not be willing to give up their privileged positions within the system. If the amount of pressure from below reaches a point where it starts to pose a viable threat to a ruling elite that controls abundant resource wealth (e.g., oil states) and presides over a relatively a small-population, the elite might adopt a strategy of co-optation and use some of their revenues to buy off lower classes' support for the system. Such polities are likely to develop an implicit social contract by which lower classes give up political rights in return for material benefits.

The nature of a nation's wealth provides incentives to those who are in control to keep lower classes out of the governing coalition in order to secure their present and

future interests and the payoffs they receive from the system. Because expanding the coalition size, as shown in Figure 1, necessarily results in smaller shares for the upper classes, they will try to secure a constant share at the very least. Concession from ruling elites is not a feasible option since it might lead to loss of position in the system or replacement by others.

In reality, the relationship between the horizontal and vertical axes is far from being as linear as depicted in Figure 1. Most societies will fall somewhere in between A and B. The model presented here, however, is heuristic and intended to provide a better understanding of how the nature of wealth influences interactions among the contending social forces and regime formation. Nonetheless, the degree of regime inclusiveness is mainly a function of the degree of linearity between the x and y axes. That is, the more negatively linear this relationship, the higher the level of threat perceived by the governing coalition, and thus the more exclusive it will become (and vice versa).

Nature of Wealth and Regime Formation: Social and Political Consequences

A non-divisible income source lies at the foundation of authoritarian regimes because it provides incentives to those in the governing coalition to exclude lower classes from having a say in the system. Lower classes' demands for a more inclusive regime threaten existing elites' vested interests and reduce the amount of goods and services those elites receive. Thus, upward mobility within such a structure, where a substantial portion of revenue flows from assets that cannot easily be shared among the members of a society, will be obstructed, since it can only come at the expense of the entrenched power of the upper classes (see, for instance, Boix 2003, 140, 141). Social mobility,

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however, is essential for those who strive for better positions in a system and "fosters democracy by easing social conflict" (ibid.).

The absence channels for upward social mobility intensifies the type and level of conflict between elites and non-elites. Members of the bourgeoisie (i.e., financiers, lawyers, doctors, merchants, manufacturers) became a revolutionary force in the late eighteenth century's France, following the closure of the upward mobility channels (Barber 1955). As Barber has observed, this new social class throughout centuries had sought the acceptance of the nobility. As she put it (1955, 106, emphasis added) "the bourgeoisie not only bargained for economic privileges – in the form, for example, of town and guild charters – but it also acquired the support of the monarchy against old nobility in *its quest for noble status* and the noble way of life." As the power of the monarchy declined in the mid-eighteenth century the fight between the old nobility and the newly emerging bourgeoisie became apparent and intensified: Several restrictions were put in place against bourgeoisie's quest for nobility. Barber concludes that with the reduction of the channels for upward mobility in the eighteenth century France, bourgeoisie felt isolated and began to question the moral foundations of the regime.

The nature of wealth can have substantial effects on regime formation through either hindering or facilitating upward mobility for members of a society. Societies that possess substantial amounts of wealth that cannot be easily divided or reproduced (e.g., land based wealth) are more likely to have a small group that controls those resources. The remaining segments of the society strive to get as close to those in control (elite group) in order to receive a larger share of the benefits of the country's wealth. The

middle class, groups that fall between the top and bottom of the social ladder in these

societies, will be either absent or weak. A small and weak middle class is more likely to

be co-opted by the upper classes and cannot produce a viable challenge to the existing

political structure because of high levels of dependency on the upper classes. Such

hierarchical socioeconomic structure is depicted in Figure 2-2.

Figure 2-2. A hierarchical socioeconomic structure.

Elites
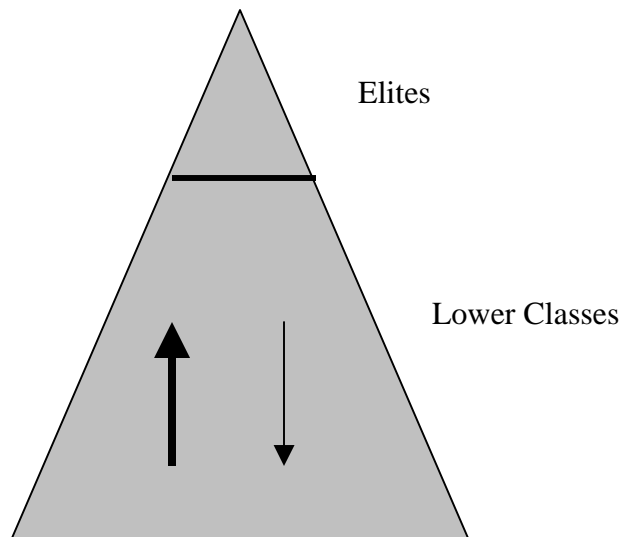
Lower Classes

The line between the elites and lower classes indicates the rigidity of social mobility between these groups. The demand for upward mobility is the dominant move, as represented by the thick arrow, while downward mobility for the members of the governing coalition, though possible, is rare. The odds of both actions are very low.

Social mobility in such polities is likely to be severely limited and confined to one

direction; that is, the members of a governing coalition are not likely to be replaced by

individuals from lower classes. Centralization of power at the apex of the social order

results in a hierarchical structure with little or no prospects of a substantial political

change since the likelihood of defenders of the status quo using any means to preserve

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and protect their vested interests is extremely high. Political change, if it takes place, however, is more likely to be of violent nature due to the high stakes and zero-sum character of fixed wealth. Replacing upper classes, in such a structure, does not necessarily result in a larger coalition in which a substantial portion of the society has a say. Groups that overthrow the ruling elite will adopt similar policies to secure their own position within the new system. Change in the leadership in such a socioeconomic structure does not lead to a change in the fundamentals of the power structure or regime type. The Cuban revolution of 1959, for instance, decimated the old nobility, the landed gentry, yet the state and the new political leadership, consequently, replaced the landlords with no substantial changes in the foundations of the regime.

Societies where upper classes' income source is not extensively based upon non-divisible resources and upward mobility by lower classes does not necessarily threaten ruling elites' interests are more likely to develop a less hierarchical socioeconomic structure in which more opportunities for social mobility are available and the direction of such mobility is not necessarily uni-directional (e.g., upward or downward movement).

Figure 2-3. A less hierarchical socioeconomic structure.

Elites
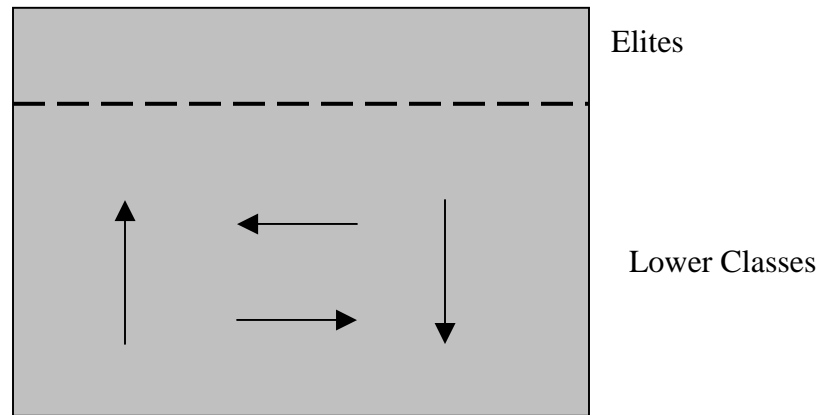
Lower Classes

The dashed line indicates a flexible social mobility between upper and lower levels of the social ladder. Arrows indicate possible directions of social mobility.

In contrast to high levels of dependency between upper and lower classes in general and between upper and middle classes in particular, low levels of dependency in a less hierarchical structure provides not only more opportunities for the lower classes but also provides the basis for challenging the political structure and allowing the lower classes to become more influential in the decision-making process. More importantly, due to relatively lower levels of threat, ruling elites in such societies are more likely to be divided, thus indirectly strengthening the non-elites' hands and laying the ground for political change. Despite the fact that the incorporation of the lower classes' demands may raise some concerns among some of the members of the ruling-elite, a large number of the elites will not be directly threatened by the accommodation of the lower classes' demands. Therefore it is less likely to observe a unified governing coalition that will oppose the non-elites' demands for a voice in the system. Contrary to high degree of

solidarity among those who occupy the upper levels of a socioeconomic ladder in a

hierarchical structure (e.g., an agrarian socioeconomic structure) to oppose demands from

below at any cost, elites in an industrialized society may not necessarily agree on the

exclusion of the lower classes at any cost because of the low level of threat posed to their

position in the system. Actors from both upper and lower classes in such structures (e.g.,

an industrial society) are more likely to become preoccupied with their private concerns

and interests, which does not necessarily threaten other actors' share; hence a more

tolerant attitude toward other actors' position in the system prevails.

Ruling elites, those at the top of the social ladder, have strong incentives to be

agents of stagnation, resisting demands from below if they perceive such demands as

threatening to their position in the system. The incorporation of disfranchised groups into

the system is facilitated if they gain power through means that do not directly and

necessarily pose a threat to the elites' interests. Factors that empower lower classes

without threatening the elites thus facilitate the decision to incorporate the disfranchised

segments of a society.

Economic Development, Social Mobility, and Democratization

I have depicted two distinct forms of social structures from which different

regimes emerge. However, no social structure is static. Every society and structure

evolves over time. The crucial question is how to transform a social structure, from one

in which lower classes' upward mobility is perceived as a threat by those already in the

power center into a social structure where upward mobility is not confined to one

direction or necessarily threatening to the position of elites in the system. As such, the

empowerment of the non-elites without posing a direct threat to the elite interests and/or

the transformation of elite interests is the pivotal factor that determines the outcome of

emerging political, economic, and/or social crisis within a social structure. Below I

outline circumstances under which enrichment ameliorates (or worsens) the conflict

between the rich and poor and lays groundwork for wider participation.

<div align="center">Industrial Economy and Power-Sharing</div>

Despite the contending arguments over the validity of the economic development-

democracy hypothesis (e.g., Przeworski and Limongi 1997; Przeworski *et al.* 2000) it

"has been tested most thoroughly" (Vanhanen 1997, 21). As Lipset (1959, 75) writes;

"perhaps the most widespread generalization linking political systems to other aspects of

society has been that democracy is related to the state of economic development." The

basic assumption of this hypothesis is that countries with higher levels of wealth, literacy,

urbanization, and industrialization are more likely to establish stable, effective, and

legitimate democratic regimes. Lipset (1959, 83) continues

> Increased wealth is not only related causally to the development of
>
> democracy by changing the social conditions of the workers, but it also
>
> affects the political role of middle class through changing the shape of the
>
> stratification structure so that it shifts from an elongated pyramid, with a
>
> large lower class base, to a diamond with a growing middle class.

Nonetheless, the assumption that increased wealth will lead to a social stratification from which a middle class will emerge and push for wider participation is likely to be conditioned by income source. That is, unless an increase in wealth distributes power among the members of a society without threatening ruling elite's entrenched interests within the system, it will not necessarily produce a democratic regime. The assumed relationship between wealth and democracy, then, is contingent upon the nature of wealth that brings about economic development. An enrichment that lays the groundwork for economic transformation, from which new social forces arise without posing direct threat to the elite's interests, is most likely to result in wider participation.

The British transformation exemplifies such a shift. Scholars disagree over when and how the struggle for power sharing in Britain culminated in a democratic regime. Rueschemeyer *et al*. (1992, 96) further point to the *peculiarity* of transition to democracy in Britain since "in no other case did middle-class-based (and largely upper-class-led) parties unilaterally extend effective suffrage to substantial sections of the working class…." If the Reform Acts of 1867 and 1884 are the turning points in the British transition to democracy (see, for instance, Rueschemeyer *et al*. 1992; Collier 1999), one should look to events that preceded these acts to explain what factors led to such change.

The origins of British democratization can be traced back to "the first politico-constitutional struggle in English history" between the elites in the thirteenth century that culminated in some limitations (*Magna Carta*) on royal power (Stearns 2001, 195). Despite the fact that it provided the basis for power sharing "it did not aim to destroy the

monarchy or the royal administration" (ibid.). On the contrary, the elites responded

harshly to the drastic redistributive demands of the Diggers, a group who called for

wasteland to be given to the poor and began cultivating St. George's hill in 1649 (Stearns

2001, 319). Elites responded by destroying Diggers' houses, animals, and crops, and

forcing them to abandon the Hills in August 1649.[7]

The incorporation of the lower classes' demands occurred gradually and followed

the economic and social changes. As Stearns (2001, 313) reports, during the 1648-1814

period England underwent substantial economic and social changes. On the elite level,

the agricultural revolution began in the late seventeenth century, "characterized by

changes in farming technique…increased productivity without a corresponding increase

in the labor needed to produce food." Further, the enclosure movement changed the

landscape of rural England and primarily benefited the upper classes. However, as rural

England began to flee to the urban areas, as a consequence of changes taking place at the

upper levels of the social order, lower-level emerging merchants bypassed the regulations

of guilds by providing the necessary tools (e.g., loom and thread) to poor families with

little or no land (Stearns 2001). This laid the groundwork for further incorporation of the

lower classes into the economy, a process Stearns (2001, 313) called

"protoindustrialization." The displaced people did not become a disruptive force in the

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[7] http://www.diggerstrail.co.uk/st_georges_hill.cfm, accessed on March 21, 2006.
The group claimed the land on the grounds that the English Civil Wars were fought against the King and landed elites. However, their activities resulted in local landed elites' and government's hostility that led to the dispersion of their colony within less than a year (http://diggers.org/english_diggers.htm#Digger, accessed on Feb. 19, 2007).

process mainly because they were absorbed into the transforming economy.[8] These changes culminated in the Industrial Revolution, which further helped lower classes become incorporated into the economic and political system.

The *Great Reform Bill* of 1832 "helped to shift the balance of power in the Commons to the industrial and commercial elite…but it *failed* to destroy the traditional elite's power within the system" (Stearns 2001, 446, emphasis added). That is, the new powerful groups' gaining leverage within the political system did not directly challenge the traditional elites' power within the socioeconomic structure. Despite the fact that the Bill was a cornerstone in the process of democratization, it did not "eliminate the possibility of influence [from the Lords] because it did not provide the secret ballot…nor did it provide the working classes, who had rallied for extension of the franchise, with the vote" (ibid.). These events eventually led to the second (1867) and the third (1884) Reform Bills, which "extended the vote to adult male householders in the counties thus increased the franchise to include approximately four-fifth of the entire male population" (ibid., 488).

The transformation that took place during seventeenth and eighteenth centuries changed the shape of the British society and led to the incorporation of the lower classes. The crux here is that the empowerment of the masses did not come about at the expense of the upper classes. On the contrary, as Moore (1966, 3) has observed, the landed upper class in Britain played a very important role in the transformation to an industrial

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[8] Besides economic transformation that absorbed a large number of new urban settlers a significant number of the population migrated to the new world, mostly North America. The availability of migration further eased the pressure on the evolving socioeconomic structure.

economy. As "capitalist influences penetrated and transformed much of the countryside,"

the landed gentry "absorbed new elements [bourgeoisie] into their ranks…"(1966, 19,

39).[9] In a way, the old hierarchical British social socioeconomic structure evolved into a

less hierarchical structure in which the established elites remained powerful with more

opportunities for the lower classes' quest for upward social mobility. This transformation

is depicted in Figure 4.

Figure 2-4. Elite's and non-elites' transformation.
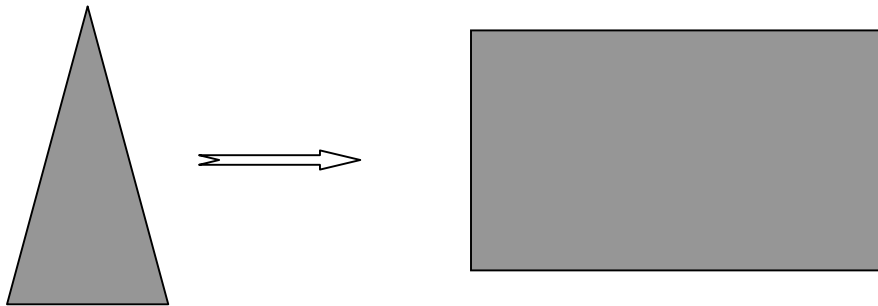
As the British transformation shows, as long as economic development empowers

the poor without replacing the rich (i.e., as a socioeconomic structure gradually evolves

from a "elongated pyramid" into a "diamond," using Lipset's (1959, 83) words) it

increases the chances for wider participation. As Linz and Stepan (1996, 78) have noted,

elite should believe that "they could manage equally well" in a more democratic

environment for a transition to occur.

As a socioeconomic structure evolves into a "diamond" the conflict between

upper and lower classes ceases to be over ownership. As a result, the political elite

---

[9] Notice, this is contrary to what happened in France in eighteenth century. The French nobility and/or landed elite did not undergo a transformation which could absorb the emerging class, bourgeoisie. Rather, they attempted to restrict the bourgeoisie's quest for upward social mobility (see, Barber 1955).

becomes more lenient toward lower classes' demands for better life standards mainly to prevent "widespread social unrest and revolution" (Acemoglu and Robinson 2000b, 1167) by which the elite could lose more than a possible redistribution through, say, higher wages (also see Acemoglu and Robinson 2006b). As the lower classes' demands intensify, the upper classes are likely to agree on ameliorative measures to quell demands from below. The demands for a share of the powerful elite's wealth may be solved through provision of more material benefits to those asking for more. This, however, is a matter of distribution, which can be addressed in several ways: Higher taxes on the owners of the assets, higher wages to the labor, or better health conditions through providing health insurance.

Such transformation not only improves human capital but also is more likely to contribute to the growth of a relatively independent middle class that can provide the basis of checks and balances within the system. It can provide alternative ways of achieving a higher rank on the social ladder and disperse power without posing a threat to the elite's position in the structure. Therefore, what lies behind the emergence of a democratic system is not increased wealth *per se* but rather the transformation of elites' and/or non-elites' interests. As the socioeconomic transformation provides more *space* for the members of society (i.e., as the type of wealth of the members of a society, but especially of the elites, changes from land to industrial capital) and hence reduces the level and the type of threat associated with demands from the excluded segments of a society, the likelihood of transition to a higher level of participation rises.

Hypothesis 2-1: An industrial economy increases the chances for wider participation by facilitating upward social mobility through providing alternative paths to power.

Agrarian Economy and Power-Sharing

Societies where agricultural land is the primary income source are most likely to produce a rigid hierarchical structure from which an authoritarian system of governance emerges. Such structure resembles a triangle, or "elongated pyramid" (Lipset 1959, 83), in which power is concentrated at the top of the social order and the main route to power is confined to an upward direction (see Figure 2).

Land as the primary income source makes conflict between parties intractable (Paige 1975).[10] This is partially because the income source, land, is "immobile" and cannot be transferred abroad (Boix 2003). Nonetheless, the most notable link between an authoritarian regime and an agrarian economy is the fact that the landed elite is "unwilling and unable to grant any political and economic concessions and dependent on legal or extralegal force for its economic survival" (Paige 1975, 58). An agricultural economy is less likely to produce enough revenues for all members of a society. The pressure from below in such social and economic structure, as Boix has observed (2003), might lead to political violence and most probably to repression due to the uneven balance of power between the rich and poor.

The key behind accommodation and incorporation of the lower classes' demands in such a structure is elite transformation. Transformation of the elites in a commercialized agrarian structure from owners to intermediaries (in other words to

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[10] Although Paige's main goal is to explain under what circumstances an agrarian revolution comes about, his central argument, however, can help better explain how different income sources encourage different types of political behavior. Paige (1975, 58) argues that conflict between "cultivators" [farmers] and "noncultivators" [landed elite] is most likely to produce a revolution when the former group derives its income from wages while the latter's income comes from land.

operators, processors, financiers, and exporters (Paige 1997)) widens the upper level of the triangle, resulting in a *pentagon-like* structure as depicted in Figure 2-5.

Figure 2-5. Elite's transformation.
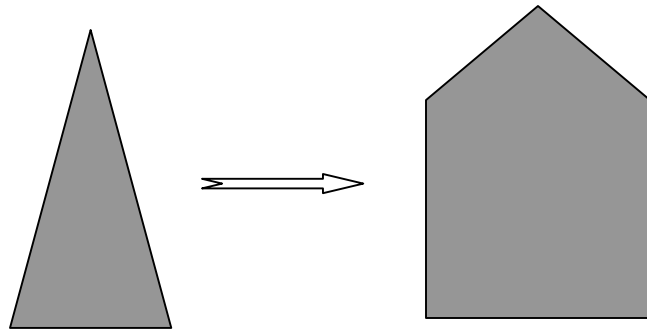
The transformed structure will have relatively more space for the lower classes, and more importantly, because of the expansion in the upper level of the structure, the degree and nature of the threat from below will be reduced and altered.

The variation in elites' responses after the 1929 depression in El Salvador and Costa Rica, for instance, was mainly a factor of the elite's income source, from which repression and accommodation/incorporation came about, respectively (see, for instance, Paige 1997; Yashar 1997). It is worthwhile to note that in 1929 bananas and coffee were still responsible for more than 90 percent of total exports in both Costa Rica (92.4 %) and El Salvador (92.6 %) (Bulmer-Thomas 1987, 34). Hence, the incorporation of the lower classes into the system in Costa Rica cannot exactly be tied to the differences in economic structures of Costa Rica and El Salvador: Agriculture was the dominant income source in both countries. The Costa Rican elites, however, contrary to their counterparts in El Salvador, "deprived of complete control over production…emerged as an elite of

processors and exporters rather than growers" (Paige 1997, 81). Despite relatively a large number of small holders in Costa Rica, as Paige has put it (ibid.), they were "under the unrestricted control of the coffee-processing elite…" thereby "lacked both the capital and technological knowledge" to challenge the power of the upper classes.

The responses from Salvadoran elites in 1930s and 1980s to lower classes' demands perhaps provide even stronger evidence of the vitality of elites' role for a change toward wider participation to occur. As Paige (1997) has argued the elites in El Salvador in the 1930s did not hesitate to use repression against the lower classes' demands. The roots of such repressive measures and intractable conflict is to be found in two equally important factors: The elites derived a large portion of their wealth from the land, on the one hand, and the masses, influenced by the Communist ideals, demanded "a fundamental redistribution of wealth and power," on the other (Paige 1997, 100). The insurrection of 1932 was harshly repressed and the emerging political and economic structure endured until the civil war of the 1980s (Paige 1997).

Over the years, however, El Salvador went through a substantial economic restructuring. By 1954 the traditional exports (coffee and bananas) still made up nearly 90 percent of total foreign exchange earnings (Bulmer-Thomas 1987). However from the mid-1950s the value of coffee exports started to decline: It dropped from $92 million in 1954 to $72.6 million in 1960. In the same period the value of cotton exports increased from $6.5 millions to $15.8 millions (Bulmer-Thomas 1987, 155). The net output for cotton reached $33.5 millions in 1970 (ibid., 187). The introduction of new crops other than coffee (e.g., cotton, sugar), technological advancements, and change in the

international political and economic context facilitated the incorporation of the lower classes' demands by shifting elite interests and reducing the profit margin of the old political economy (see, for instance, Paige 1997; Robinson 2003).

Having said that, however, the governing coalition is not monolithic and some members will have better chances and skills to benefits from a possible transformation. Although some members of the governing coalition will be left out through such evolution, the process of *change toward democracy* will be dominated and primarily shaped by the elites' interests. In such a *pentagon-like* structure, what elites do is still more consequential. However, because of the transformation of the elites' interests, the type and level of the threat posed by the non-elites will be low, facilitating an accommodation process.

Hypothesis 2-2: An agrarian economy impedes wider participation.

Mineral Economy and Power-Sharing

Scholars have often referred to the inimical effects of mineral wealth on democratization. Building upon the rentier state framework that was first introduced by Mahdavy (1970) and later refined by others (e.g., Beblawi and Luciani 1987; Luciani 1987; Ross 1999; 2001) to refer to the debilitating consequences of external rents, political scientists have argued that natural resource wealth, especially abundant oil revenues, stagnates economic development and hinders democratization. The central point in these studies is that the availability of large external rents, accrued directly to the state, severs the political authority from the society and dampens the popular demands for participation.

Natural-resource abundance the proponents of the rentier state framework argue influences the level of democracy by providing positive and negative incentives for the state and society alike. Governing elites with large amounts of revenues at their discretion can buy political support and relieve social pressures for reform by providing society with abundant material benefits such as low tax rates and extensive social welfare benefits. Likewise, surplus revenues enable the state to maintain the coercive capacity to repress any demands for democratic reforms and popular participation (Ross 2001). The availability of revenues, not generated domestically, precludes the need to seek political legitimacy through participation and lessens the reliance of rulers on the active support of their populations (Anderson 1987; Luciani 1987; 2005). It also brings about distributional issues and causes a heightened sense of fear among the ruling elite (Jensen and Wantchekon 2004), thereby detaching the governing elites from their population.

In addition to the political consequences of abundant natural resources, this logic further suggests that natural resource abundance can produce economic stagnation through the effect known as the *Dutch Disease*. This effect involves the appreciation of a state's real exchange currency, a sharp rise in imports, and a decline in the production and export of agricultural and manufactured products, mainly due to heavy government spending (Corden and Neary 1982; Ross 1999; Stevens 2003). As such, the income source influences, if not determines, basic rules of the political game (Luciani 1987).

However, despite a large body of empirical work that has established a negative relationship between natural resource wealth and poor economic and political performance, the results are subject to criticism and very sensitive to the period chosen

(Stevens 2003). Although studies have found that resource-rich economies have underperformed on political but especially economic performance when compared with the resource-poor economies, this is not true for the period before the 1970s (Auty 2001, 3). On the contrary, resource-abundant countries of West European offshoots, such as USA, Canada, South Africa, and of Latin America grew at a faster rate than resource-poor countries at the end of nineteenth century (Auty 2001, 4, also see Findlay and Lundhal 2001). The point of departure is that primary commodity exports (i.e., natural resources) provide foreign exchange that can stimulate or generate other sectors. The mining economy in South Africa in the late nineteenth century, Findlay and Lundhal (2001, 102) argue, "required a railroad network to exploit [the mining fields]…[and] road construction to provide food supplies to the mining regions." They continue, "manufacturing production was also stimulated, not only by demand but also by the supplies of technical skills and entrepreneurial experience in the mining sector."

The evidence from fuel-rich countries (e.g., Indonesia, Malaysia, Venezuela, Norway) and non-fuel resource-rich (e.g., Chile, Botswana) countries alike casts doubt on the prevalent view on the link between natural resource-abundance and authoritarianism. The discovery of oil in 1918 in Venezuela generated massive new income flows that stimulated the emergence of new commercial, industrial, and professional groups. Soon the economic power of these new social actors surpassed that of the traditional (agricultural) oligarchy (Yashar 1997; Stearns 2001), a group that has been associated with authoritarian regimes (Moore 1966; Rueschemeyer *et al*. 1992; Boix 2003), in the following decades. Malaysia has managed to avoid economic and political crises

associated with resource-abundance through reducing fiscal expenditures and encouraging the private sector growth (Abidin 2001, 162). As a result, it "has very successfully changed from an essentially rentier state to a diversified economy with a strong private sector" (Luciani 2005a, 159). Likewise, Indonesia, as Rosser (2004) has observed, has managed to overcome the *resource curse* and convert the oil revenues into other forms of capital. Rosser (2004, 17) reports that during the oil boom periods Indonesia was able to use its oil wealth for developmental purposes, including "spending on agricultural development (particularly fertilizer and subsidies for rice production) and education…."

The social and political structure in a society with abundant high-profit-yielding, land-based-resources, such as oil and minerals, will differ from the structure in a commercialized agrarian society. A mineral economy, relative to an agrarian economy, is more likely to lay the groundwork for a wider participation through two main mechanisms.

First, abundant mineral wealth often provides more revenues than an agrarian economy and these can be used to sponsor industrialization. Such state-sponsored industrialization can lead to a *developmental paradox* from which social forces arise and put limits on the state's power (Bellin 2002). In Bellin's (2002, 4) words "by sponsoring industrialization, the state nurtures the development of social forces ultimately capable of amassing sufficient power to challenge it and impose a measure of policy responsiveness upon it." Bellin further points to the second paradox that emerges as a function of the state-sponsored industrialization. The process that generates new social actors limits

these actors' commitment to democratization since they are the primary beneficiaries of the system. The dependency between these actors and the state serves as an obstacle for a substantial change in the system and results in a democratic regime "stunted halfway between autocracy and fully accountable government" (ibid.). This, however, is neither a permanent nor a stable equilibrium and the conditions under which democratization is "stalled" might come to an end. At times when an authoritarian government is confronted with a crisis of power, groups or individuals empowered by the state-sponsored developmental policies will make demands for a say in the decision-making process.

In a similar vein Okruhlik (1999, 297) draws attention to the social consequences of oil revenues. She points to two important mechanisms through which spending oil monies can lead to the rise of social dissent rather than to "placate" it. Okruhlik makes an important point by pointing to the political aspect of oil revenues. Abundant oil revenues provide the state with an important tool to legitimize its existence through huge public spending. However, it also brings about distributional issues along with an opposition strengthened and mobilized as a result of such public policy. That is "the state *engenders* its own opposition" (ibid., emphasis added).

Second, large oil revenues can facilitate democratization when some of the oil revenues are invested in the development of human capital. Oil-rich countries that do not have ambitious industrialization programs, such as Bahrain, Kuwait, Oman, have used their oil wealth not only to build infrastructure but also to eradicate illiteracy and improve health care. Birdsall *et al.'s* (2001) comparative analysis of South Korea (an export-oriented resource-poor country) and Brazil (a country with an inward-looking

development strategy and abundant natural resources)[11] conclude that a resource-poor-

export-oriented economic structure increases the demand for skilled workers and, hence

investments in education should be greater than in resource-abundant economies. It

should be noted, however, that the authors also point to the possibility of using revenues

raised from resources to improve human capital, as the case of Indonesia illustrates,

(2001, 72-73). One problem associated with this analysis is that it does not take into

account the initial conditions for each country. The authors (2001, 72), for instance, state

"…even in the early 1970s when Brazilian economy was booming…Korean's enrollment

rate…was almost double Brazil's." The data from the World Development Indicators[12]

confirm this conclusion yet also reveal some important information.

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[11] Brazil does not have substantial oil revenues. The authors primarily refer to abundant lands as natural resources. However, their point is that natural resource abundance, generally, undermines the demand for skilled workers.

[12]World Development Indicators 2003. CD-ROM.

Table 2-1. Abundant oil revenues and education.

Country Name	Oil-Rich*	% Illiterate (1970)	% Illiterate (2001)	Change
Oman	Yes	81.46	26.98	54.48
Algeria	Yes	78.48	32.2	46.28
Bahrain	Yes	49.08	12.12	36.96
Egypt	No	68.41	43.88	24.53
Qatar	Yes	41.75	18.34	23.41
Brazil	No	31.6	12.7	18.9
Bangladesh	No	74.97	59.45	15.52
South Korea	No	13.2	2.14	11.06

*Oil consists of at least one third of total merchandise exports.

Table 1 presents the illiteracy rate for a handful of countries with diverging economic structures. As the last column demonstrates, when the initial conditions are taken into account, oil-abundant countries have outperformed oil-poor countries at eradicating illiteracy. Obviously the decline in illiteracy rate may not be linear and South Korea's performance is still stunning in terms of percentage change. The difference between two similarly situated Muslim countries, Algeria and Egypt, points to an important finding, however. Other than being more democratic[13] than Egypt, Algeria, as an oil-rich country, has been more successful in terms of eradicating illiteracy. Results

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[13] Here I rely on the Polity democracy scale, which ranges from –10 (least democratic) to +10 (most democratic). In 1999, the last year in the analysis, Algeria and Egypt received a score of –3 and –6, respectively.

from other countries, such as Bangladesh and Bahrain, strengthen the assumption that oil wealth can be turned into human capital.

As one of the leading Middle East studies experts, Giacomo Luciani (2005a, 149), observes, states that have been identified as rentier therefore with little or no prospects for democratization "such as Bahrain, Kuwait, Oman, Qatar, and even Saudi Arabia have been moving toward wider political participation, although not full-scale democracy, while non-rentier states have resisted such moves". Luciani (2005a, 150, emphasis added) ties these unexpected developments to the strength of the private sectors in these rentier states. In Saudi Arabia and Kuwait "the large dimension of the *domestic circulation of the rent and its long duration* have led to the accumulation of immense private fortunes by leading individuals and families, and smaller ones by a larger number of medium-sized and small businesspeople." Similarly Qatar and Dubai have become regional centers for tourism, internet, media, and transportation. None of these would have been possible without the oil wealth. In his detailed analysis of the roots of the private sector in Saudi Arabia, Luciani (2005b) ties the genesis of business class to large oil rents. Although the improvements are still far from being defined as a transition from an authoritarian rule to a democratic one, nonetheless, the business class that has emerged as a function of decades of oil rents has been pushing for wider participation. Prince Al-Walid bin Tallal, as one of "the most powerful" and "visible" businessman, "has publicly advocated direct election of the *Majlis* based on universal suffrage. He has also advocated women rights, notably the right to drive; and in a *coup de theatre* in November 2004 he hired the first Saudi woman pilot to fly the private planes of Kingdom Holding" (Luciani

2005b, 174, 175). It is worthwhile to note that Saudi Arabia, despite some improvements toward greater participation, has not experienced any positive change on the Polity scale (the measure of democracy used in this study). Therefore, the direction of any potential bias that might ensue is downward: Taking into account improvements, albeit minor, in a country like Saudi Arabia, would have provided further evidence to the argument proposed here.[14] Therefore as Okruhlik (1999, 297) has aptly put it "the rentier framework has proven inadequate in elucidating the rise of dissent because it reifies the state and overemphasizes state resources and autonomy from the social consequences of expenditures."

That does not suggest the governing elites' commitment to democratic ideals in mineral-abundant countries. However, the current emphasis on the nexus between natural resources and regime formation needs to be dissected and clarified. Natural resources (i.e., minerals and agriculture) can have different effects on the decision to open up the political system through incorporating lower class demands. Mineral resources can provide larger revenues for the members of a social order, but especially for those occupy the upper echelons of the ladder, to incorporate the lower classes demands for power sharing. More importantly, mineral wealth can provide alternative paths to upward mobility through translating abundant mineral wealth into other forms of capital. A mineral economy, more so than an agrarian economy, can therefore transform the socioeconomic structure through building industry and investing in human capital. This discussion leads to two contending hypotheses.

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[14] For another excellent detailed discussion on oil revenues and the rise of dissent for wider participation in Saudi Arabia, see, Okruhlik (1999).

Hypothesis 2-3a: A mineral economy impedes wider participation because the demands for participation threaten elites' interests.

Hypothesis 2-3b: A mineral economy facilitates wider participation through providing large revenues to sponsor industrialization and improve human capital.

Although the transformation of elites and/or non-elites lies behind wider participation, in some instances lower classes might be able to gain some leverage without any transformation taking place. The first example of non-elites empowerment is social revolutions, where upper classes are toppled through violent means. In most of these cases, the traditional elite is decimated during or after the process of takeover and a drastic redistribution of the resources among the masses follows. The process is depicted in Figure 6a.

Figure 2-6a. Lower classes' empowerment without transformation
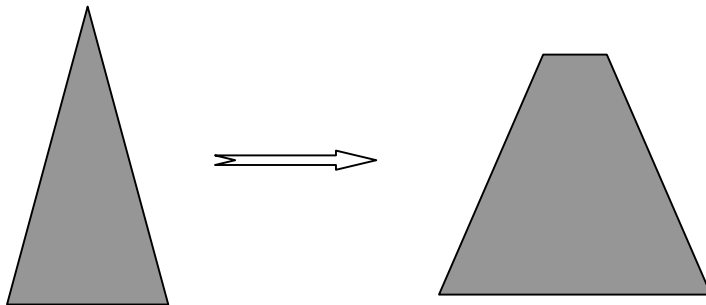
The second example of non-elites gaining power is where a massive amount of unclaimed resources become available and distributed among the members of the lower classes without endangering elites' position in the system. Such enrichment or empowerment of the lower classes will push the lower segments of the triangle and

broaden the space available for the non-elites, yet it is not likely to generate any structural

changes. This is depicted in Figure 6b.

Figure 2-6b. Lower classes' empowerment without transformation
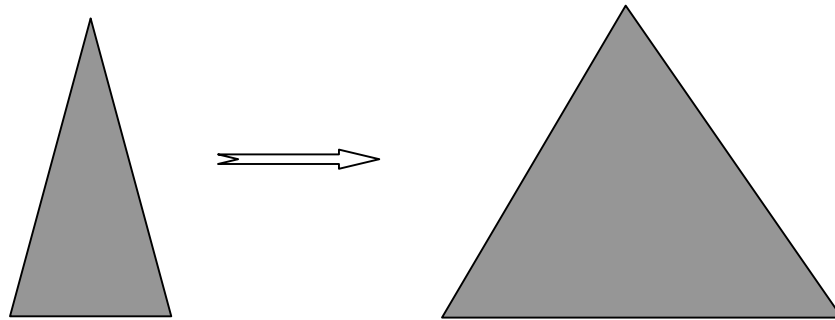
Relatively low levels of violence and a less repressive authoritarian regime in

Honduras during the 1970s and 1980s, in contrast to unprecedented repression observed

in the neighboring countries, especially in Guatemala and El Salvador, was primarily a

function of the massive amount of land available to be distributed to meet the rising

demands from below. The average hectares of arable land per person, for instance, were

.66 for Honduras in 1961 and .43 in 1979. These values for the same period were .18 and

.12 for El Salvador and .27 and .19 for Guatemala (World Development Indicators online

data).[15] Further, the so-called S*occer War* between Honduras and El Salvador in 1969

provided a substantial amount of arable land to the Honduran elites to be distributed

among the members of the lower classes.

The only scenario in which the old ruling classes are set aside, excluded from the

new regime, and often decimated is revolutions. However, leaving revolutions aside,

which can be considered as exceptions to the rule and very rare in the history, democracy

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[15] Accessed at http://devdata.worldbank.org/dataonline/ on March 9, 2006.

has mainly been a project in which elites sustain their privileged positions. Empowerment of the lower classes with no accompanying transformation may or may not lead to open polities in which the rule of the executive is checked and balanced by other institutions within the society. Although the theory proposed in this study suggests otherwise unique circumstances may create conditions that lead to wider participation.

A cursory analysis of the modern revolutions reveals no clear pattern, however. Of the revolutions that brought about some degree of participation (e.g., France 1789, Nicaragua 1979, and Iran 1979) the French revolution was perhaps the most revealing in terms of bringing about a substantially wider participation. It is worth remembering, however, that despite the fact that the French revolution weakened the established elites' position in the system, it did not annihilate the old elites' power bases. Besides, the lower classes had undergone a substantial social and economic change before the revolution took place. The exclusion of the established elites from the new regime, however, played a important role in generating ups and down in the French democratization process and led to instability in the following decades (Lipset 1960). Russian and Chinese revolutions of 1917 and 1949, respectively, however led to the opposite results.

To summarize, the type of enrichment and/or economic development and the nature of wealth can have substantial influences on the chances that a country will make a transition to more participatory governance. I concur with the proponents of modernization theory that economic development leads to the emergence of democratic regimes. However, the theory proposed in this study suggests a rather different casual mechanism. Modernization theory does not explicitly state the role of widely distributed

resources on democratization. However, implicit in the hypothesis is the proposition that economic development functions as an equalizing force by shifting the shape of social structure from a "an elongated pyramid, with a large lower class base, to a diamond with a growing middle class" (Lipset 1959, 83).

Vanhanen (1997, 24) makes this relationship very clear in stating "…democratization takes place under conditions in which power resources have become so widely distributed that no group is any longer able to suppress its competitors or to maintain its hegemony." Putting aside the elegant proposition laid out in Boix's (2003) *Democracy and Redistribution* regarding the link between the asset specificity and regime type, economic equality occupies the cornerstone in Boix's theory. Economic equality, Boix asserts (2003, 3), not only facilitates a peaceful transition from an authoritarian regime to a democratic system of governance, characterized by universal suffrage, but also helps sustain a democratic regime.

The theory proposed here, however, sheds more light on the dynamic of the change toward wider participation by emphasizing the importance of economic transformation, social mobility, and the vitality of elites' role in such a change.[16] As such, economic equality ceases to be a significant factor in the process and democracy turns into an elite project (Burton *et al*. 1992; Collier 1999; Higley and Burton 2006).

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[16] As noted earlier, although Boix (2003) points to the importance of social mobility, the emphasize is on economic inequality and how it interacts with "asset specificity." The central conclusion that he reaches therefore is economic equality not only fosters transition to a democratic regime but also helps sustain it. Hence, despite a similarity at first glance between the theory proposed here and Boix's theory of democratization, due mainly to the role of social mobility in both theories, my work challenges his main finding. In other words, equality ceases to be a significant factor in democratization and higher levels of economic inequality rather help to sustain a democratic regime by providing strong incentives to the elites to abide by the rules of the game.

The gap between the upper and lower classes becomes a necessary element for a transition to take place since the rich usually have the capacity and willingness to take actions necessary to prevent a substantial change in the system of social stratification. The symbiosis between the landed-elite and military power in Central America, for instance, facilitated centralization of the power and blocked any substantial change in the socioeconomic structure for decades, if not centuries (see, for instance, Karl 1990).

In addition as the Salvadoran case illustrates despite decades of widespread politically motivated violence the ruling elite clung to power and did not hesitate to employ unprecedented brutal measures to keep their position in the socioeconomic structure intact. The incorporation of the lower classes' demands came only after the elites concluded, "they could manage equally well," borrowing Linz and Stepan's (1996, 78) words, in a more democratic environment. In other words, the introduction of electoral democracy served as an exit strategy from an ongoing conflict to a peaceful political environment in which the rich were still more likely to win/prevail (see, for instance, Acemoglu and Robinson 2000b; Wood 2001; Wantchekon and Neeman 2002; Wantchekon 2004). As Robinson avers (2003, 101, emphasis in original) the peace accords between the El Salvadoran elites and the FMLN insurgency in the early 1990s "preserved the class rule of the Salvadoran elite and left the government, the state's institutionality, the economic system, and the social order intact." What was negotiated, Robinson continues, "were the terms under which the FMLN became integrated into the *existing* social order," not the system itself.

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This is not to undermine the role of the pressure from lower classes. No ruling elite would voluntarily give up its power just because socioeconomic transformation has yielded alternative paths to power. The pressure from the excluded segments of a society is certainly an important factor for any change to take place (Anderson 1992; Acemoglu and Robinson 2000b; 2001). However, this pressure is an intervening factor for several reasons. First, the emergence of such pressure itself is likely to be conditioned by socioeconomic transformation. Second, such pressure is likely to be triggered by several domestic and foreign factors, which can range from the succession crises, economic bottlenecks, and changes in the international/regional political and economic context. Thus, pressure from lower classes may be generated as a function of some unforeseen events, ranging from succession crisis to changes in the international political and economic environment, which in turn might lead to *post hoc* theory development. Further, the type and level of pressure from below is hard to measure mainly because not all events and/or crises have the same effect on social groups. Pressure from below, hence, can at best serve as an intervening variable.

When such pressure emerges, the crucial factors are those that determine upper classes' behavior toward adopting accommodation or repression. As the case of El Salvador suggests, the changes in the domestic economic structure (in other words the relative decline in the profit margin of the old economic structure and the transformation of established elites from land owner and producers to intermediaries (Paige 1997) parallel with changes in the international economic and political context (Robinson 2003)), broke the tie between the upper and lower classes through introduction of

multiparty elections. Therefore, despite long and bloody civil conflict, the transformation

of ruling-elites' interests played the key role in bringing about the incorporation of the

lower classes' economic and political demands, albeit not fully, into the system.

CHAPTER III

AN ILLUSTRATION: DEMOCRATIZATION IN TAIWAN

I have argued that as long as lower classes' demands for wider participation in the decision-making process pose a threat to the upper classes' interests, elites will not voluntarily open up the system. The key behind an important change toward democracy is social and economic transformation that enables upper classes to accommodate lower classes' demands. As the elites' interests shift as a function of changes in the economic structure, the chances for their adopting accommodative rather than repressive response strategies to lower class demands increase. In some instances economic transformation might lay the groundwork for transition to wider participation by providing alternative paths to power for the lower classes. As the members of lower classes find alternative ways of climbing the social ladder their demands become less threatening for the elites' vested interests; hence a peaceful transition to wider participation becomes possible. Democratization in Taiwan exemplifies such change. Before I provide empirical evidence, a brief analysis of Taiwanese democratization might be useful to illustrate the relationship between economic transformation, elites, and democratization.

By ordinary standards Taiwan is a homogeneous society. Nonetheless, there is a division between the settlers who reached the island before 1945 and those who came after the Communist takeover on the mainland in 1949. The former group began to flee to Taiwan mainly from Chinese coastal provinces in the sixteenth and seventeenth

centuries.[17] The offspring of those who migrated to the island before 1945 are generally known as *Taiwanese*, whereas those who arrived after 1945 are called *mainlanders* (Pang 1992).[18] The Taiwanese constitute 80-85% of the total population whereas the mainlanders make up 15 to 17% of Taiwan's population (Pang 1992). Despite the fact that they both are Han people, the bloody incidents of February 1947 "triggered the antagonism of Taiwanese against mainlanders and the Nationalist regime" (Pang 1992, 42). The conflict "which was sparked by the mismanagement of an unyielding KMT governor" hence "left the Taiwanese society fragmented" and "alienated the Taiwanese people from the immigrant regime" (Lin 1998, 66).

In addition to being an immigrant government with no social base, the Kuomintang (KMT) feared the possibility of rural insurgency inspired by the land reforms going on in PRC (People Republic of China) between 1949 and 1952. Consequently the KMT adapted a series of land reforms of its won on Taiwan. The KMT government had once prevented land reform on the mainland due to its ties with the landed elites. Yet, once on Taiwan, it implemented a large-scale land reform by which the already weakened landed elite was eliminated (Pang 1992). The primary reason behind these land reforms, however, was political: "The land reform was an effort to secure the loyalty of the peasants and to combat the Chinese Communists' intrigue of using the weaknesses of the tenancy structure to instigate agrarian uprisings" (Pang 1992, 135).

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[17] http://www.gio.gov.tw/taiwan-website/5-gp/yearbook/p028.html, accessed on 02/07, 2006.
[18] The aborigines (non-Han minorities) make up about only 2% of the total population (http://www.gio.gov.tw/taiwan-website/5-gp/yearbook/p028.html accessed on 02/07, 2006; also see Pang 1992).

Lin (1998, 105) reports that "27.0% of the cropland in Taiwan were redistributed between 1951 and 1963" and "43.7% of farm families in Taiwan had acquired some land as a result of the reform." Taiwan's land reform has been very successful by ordinary standards (Powelson and Stock 1990). The agricultural output increased and rural support for the regime was secured. As a result of the reform the national income share of the highest fifth quartile declined from 61.4 percent in 1953 to 41.4 percent in 1964. During the same period the share of the poorest 20 percent of households raised from 3.0 percent to 7.7 percent and the GINI income coefficients decreased from .558 to .321 (Pang 1992).

The turning point for the Taiwanese economy, however, came after the KMT government adopted export-led industrialization in the mid-1960s. The KMT's economic polices succeeded in transforming Taiwan from an agrarian society to an industrialized country within a reasonably short period of time. The following quote from Pang (1992: 21) succinctly summarizes the remarkable performance of the KMT state in Taiwan.

From 1952 to 1990, her [Taiwan] GNP growth rates averaged 8.8% and industry grew 12.0% annually. During the same period, the share of industry in employment climbed from 16.9% to 40.9% while the share of agriculture decreased from 56.1% to 12.9%. The share of industrial production in gross domestic product increased from 19.7 to 42.3%.

Despite equalizing force of the land reforms, the engine of rapid economic growth has been the manufacturing sector since the mid-1960s (Pang 1992). As Ho (1978)

reports a large share of the increases in employment between 1940 and 1974 was absorbed by the manufacturing sector. The share of employment in the manufacturing sector doubled between 1966 and 1974 and the percentage of labor force employed in agriculture, for the same period, declined from 43 percent to 31.0 percent (Ho 1978, 132).

Economic Transformation and Regime Change in Taiwan

The evolution of the KMT regime from an exclusive and highly authoritarian polity into a democratic system is worth studying since it can provide valuable information about the dynamics of regime change and the effect of economic transformation on such change. Most scholars agree that the Taiwanese political system underwent a substantial change in the mid-1980s. Lin (1998, 46), for instance, divides democratic transition in Taiwan into liberalization and democratization periods. The former period started with the formal establishment of the Democratic Progress Party (DPP) and the abolition of martial law in 1986. According to Lin, the National Affairs Conference held in 1990 marked the transition period and culminated in the first direct presidential elections in 1996. Whether one starts the democratic period from the formal announcement of the opposition party, Democratic Progressive Party, (DPP) in 1986 or from the first direct presidential elections in 1996, this transition cannot be isolated from socioeconomic changes undertaken in the past decades. As a matter of fact the "remarkably" peaceful transition from the KMT's authoritarian regime to a democratic system can be treated as an outcome of the economic transformation that started in the mid-1960s (Matsumoto 2002, 359).

As an immigrant government, the KMT rule was primarily based on the

immigrants that fled to the island after the Chinese Communist party (CCP) took power

in mainland China in 1949. Pang (1992, 37) reports that during 1949-1950 period more

than one million refugees, mostly professionals and administrators, moved to the island

with the KMT. Despite the fact that the islanders had become apolitical after a long

period of Japanese colonization and their leadership cadre were mostly eliminated during

the February 28, 1947 incident, the KMT state had to deal with an angry populace that

composed the majority on the island (Pang 1992). These conditions resulted in a "strong

sense of insecurity" for the KMT, to use Lin's (1992, 21) words.

Therefore, one of the KMT's main goals was to legitimize its rule and secure rural

support. As mentioned earlier to this end it undertook land reform soon after its arrival on

the island. As a result of the land reforms rural support was secured. Nevertheless,

despite the successful land reforms that distributed the wealth among the member of the

society more equally (GINI income coefficients, for instance, decreased from .558 to .321

from 1953 to 1964, see, Pang 1992), the political decision-making process was still

controlled and dominated by the mainlanders.

The role of the Taiwanese in the decision-making, however, increased during the

years of the economic transformation. During this period the Taiwanese were

incorporated into the system by recruiting them into the KMT's "highest elite circle"

(Pang 1992, 67). As a result the regime gradually transformed into a "responsive

authoritarian" regime over time (Lin 1998, 19).

This responsiveness by no means refers to a democratic polity. However, it does imply some degree of power sharing with the previously excluded classes. Inclusion and participation have been regarded as the essence of democratic polities. More specifically, sharing power among the members of a society constitutes a crucial element of democracy (see, for instance, Dahl 1998, Vanhanen 1997). This by no means legitimizes semi-authoritarian regimes, in which the core principles of a democratic regime (e.g., equality, participation, inclusion) are present with certain limitations. The point, however, is that not all non-democratic regimes are equally authoritarian. Some elements of a democratic system of governance can be found in an authoritarian regime just as some elements of authoritarianism can be found in a democratic regime. The question, then, is how and under what conditions does an authoritarian regime evolve toward a system in which power becomes relatively more widely distributed (i.e., institutionalized) and the number of participants in the decision-making process gets larger.

Toward Power-Sharing and Democratization in Taiwan

To assess the weight of the Taiwanese in the decision-making process before the transition, I look at the KMT's Central Standing Committee (CSC). Despite the fact that elections were held regularly during the authoritarian years, the real power center was the leader, Chiang Kai-shek (1948-1975), and the CSC as the "highest elite circle" within the party (Pang 1992, 67). It is quite possible that the KMT adopted incorporation of the Taiwanese elites primarily to legitimize its rule and gain people's support. However, no matter what the motivation was, incorporation of the Taiwanese elite into the CSC indicates an important step taken toward power sharing and wider participation.

The size and composition of the KMT's CSC, hence, can reveal crucial information about the distribution of power between the two main groups, mainlanders and Taiwanese. As presented in Table 3-1, up to 1957 no Taiwanese were recruited into the CSC. As Pang (1992, 67) reports "the first real native Taiwanese who resided in Taiwan before 1945 was recruited in to the CSC in 1969." The identity of the first Taiwanese as a member of the "highest elite circle" (Pang 1992, 67) is as important as becoming a member. Although, Pang (1992) argues that he was not nominated as the representative of the local capitalists, nonetheless, "he was the owner of a manufacturing corporation" (Pang 1992, 67).

As Table 3-1 shows the number of Taiwanese increased significantly during the period of economic transformation. Between 1965 and 1984, while Taiwan's economy was undergoing a substantial transformation, the number of Taiwanese in the CSC grew from 2 to 12 (38% of the total number).

Table 3-1. Economic transformation and power sharing in Taiwan.

Year	Number of Taiwanese in CSC	Number of Mainlander in CSC	Total # of CSC	Agriculture (% of GDP)	Industry (% of GDP)
1952	0	11	11	32.2	19.7
1953	0	11	11		
1954	0	11	11		
1955	0	11	11	29.1	23.2
1956	0	11	11	27.5	24.4
1957	1	16	17	27.3	25.3
1958				26.8	24.8
1959	2	15	17	26.4	27.1
1960	2	15	17	28.5	26.9
1961	2	15	17	27.5	26.6
1962	2	15	17	25.0	28.2
1963	2	15	17	23.3	30.0
1964	2	17	19	24.5	30.4
1965				23.6	30.2
1966	2	18	20	22.5	30.6
1967	2	18	20	20.6	33.0
1968				19.0	34.4
1969	2	20	22	15.9	36.9
1970	2	20	22	15.5	36.8
1971				13.1	38.9
1972	3	19	22	12.2	41.6
1973	3	19	22	12.1	43.8
1974				12.4	40.7
1975				12.7	39.9
1976	5	18	23	11.4	43.2
1977				10.6	44.0
1978	5	18	23	9.4	45.2
1979	9	19	28	8.6	45.3
1980				7.7	45.8
1981	9	19	28	7.3	45.5
1982				7.7	44.4
1983				7.3	45.0
1984	12	20	32	6.3	46.2

Source: Pang (1992, 31-32, 66)

Whether one agrees with Pang (1992) that such incorporation came as a result of the KMT's policy of "Taiwanization," or with Lin (1998) that such power sharing was primarily motivated by regime survival, the point is that the KMT regime evolved toward a more inclusive regime over the years of economic transformation. This responsiveness indicates two equally important conclusions. First, it came about as a function of the economic transformation that Taiwan had undergone. Second, it differentiates the KMT regime from other authoritarian regimes where power is exclusively concentrated in the hands of a strong man or in a minority group (e.g., Syria).

Lin (1998: 263, 264) argues that it was the combination of rising costs of continuing authoritarian regime (e.g., intra-elite divisions) and decreasing costs in tolerating opposition (e.g., expectation of winning electoral support, diminishing of perceived threats, stability of socioeconomic order) that marked the end of the KMT's rule. Lin (1998) makes an important point by focusing on *regime survival* to explain regime change on Taiwan. Regime transformation is primarily a factor of perceived threat from the groups making claims for more political power in the system. The decline in the level and amount of the threat is likely to provide incentives for the ruling elites to initiate transition. Thus, despite the fact that Lin (1998) downplays[19] the role of the socioeconomic changes in Taiwan, he seems to be correct in emphasizing the salience of regime survival for a transition to occur. Hence, the decisive factor seems to be the

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[19] Lin (1998), employing Dahl's (1971) mutual security model, makes a strong argument about the factors that finally led the KMT's elites to initiate the transition to democracy in the mid-1980s. He argues that socioeconomic transformation was not the driving force of transition. As he puts (1998, 4) it "…the KMT's initiating reform was neither driven by the "economic miracle" nor motivated by the leader's ideological commitment, but a calculated move driven by self interest, especially regime survival."

decline in the perceived threat from the lower classes, which is likely to be conditioned by the economic transformation (i.e., income source) a society goes through.

The data from the interviews (conducted between January 1995 and April 1996) with the elites from both ruling and opposition parties reveal some important information on what factors played an important role in initiating political reforms (Lin 1998, 261). Of the 66 legislators interviewed by Lin, 65.2% rank pressure from opposition as the most important factor in influencing the KMT to initiate political reforms, whereas 53.0% of the legislators think that the economic and social change that Taiwan had undergone was the most influential factor. More importantly, 63.6% of the members of the ruling party (the KMT) that were interviewed rank socioeconomic changes as the most important factor.

Therefore the reduced threat from the lower classes, due mainly to changes in the economic structure, seems to be the key behind the democratization process in Taiwan. Taiwan's economic transformation that started in the mid 1960s has brought about a *rectangle-like* (see Figure 2-3) society in which upward mobility of members of the society is not restricted to one direction. Because of such transformation, upward mobility does not necessarily pose a threat to elite's interests. The Taiwanese democratization process sheds light on the relationship between economic transformation and pressure from lower classes, and elite's behavior toward such pressure. The ruling elite of the KMT opened up politics after they secured their position in the system.[20] As Lin (1998) has observed, the opening occurred after the KMT thought that the threat from

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[20] According to Lin (1998), however, this has resulted in preserving some authoritarian elements within the system.

the opposition forces had substantially declined and the odds of an electoral success were high. The KMT not only won the 1986 presidential elections but was also able to win the two subsequent presidential elections (1990 and 1996) as well.

CHAPTER IV

RESEARCH DESIGN AND MODEL SPECIFICATION

One of the main puzzles that this study seeks to solve is what shapes the outcome

of the struggle for political power between the members of a society. During the process

of interactions within a society, the ruling elite's response to lower classes' demands for a

voice in the decision-making process is conditioned by the former group's perception of

the degree of threat posed by lower classes' demands. As such, the transformation of the

elites' and/or non-elites' interests lie behind more inclusive and sustainable governance.

To determine what factors play a role in achieving wider political participation, I

employed cross-sectional time series data for the 1960-1999 period to test hypotheses.

The *unit of analysis* is country year.

Dependent Variable

The word democracy originates from a combination of two Greek words "*demos*-

people, and *kratos*-rule…" (Williams 1977). Over the years, however, there has been a

lively discussion about what exactly constitutes a democratic system of governance. The

essence of a democratic system lies in the fact that every member of a society/community

has equal rights in forming his/her community. As such, equality and

participation/inclusiveness lie at the heart of democracy (Dahl 1998). As Cohen (1971, 8)

has put it democracy is "constituted by participation." Toward this end, this chapter seeks

to explain under what circumstances a society becomes *more* democratic (i.e., what

accounts for a society achieving a substantial step toward wider participation).

The dichotomous measures used in the current literature (e.g., Przeworski *et al*. 2000; Boix 2003) divide countries into two broad camps: Democracies and non-democracies. Such broad classification, however, excludes cases that "posses some, but not all, of the properties that characterize full democracies" (Epstein *et al*. 2006, 551). This coding lumps Algeria, Iran, Jordan, Malaysia, and Saudi Arabia together and fails to distinguish substantial differences in, say, Saudi Arabia's polity and that of Jordan.[21]

Obviously the regimes in Algeria, Iran, Jordan, and Malaysia cannot be treated as full democracies. Nonetheless, treating regimes with some important democratic elements the same as regimes with essentially no democratic properties is fundamentally misleading. It is worth noting that, while acknowledging that the opposition was not allowed to win, Lipset (1960, 48 footnote # 8, emphasis added) classifies Mexico under PRI as a democracy because of "the existence of opposition groups [and] contested elections…[which] introduce[d] *a considerable element of popular influence* in the system."

Consider the Jordanian case. The Jordanian liberalization process, initiated in 1989, has been "one of the most significant experiments in political liberalization in the Arab world" since the early 1990s (Mufti 1999, 100). The reform package not only legalized political parties but also ended martial law that had been in effect for more than 20 years. It provided the grounds for the emergence of a relatively free and open press,

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[21] In Przeworski *et al*. (2000) and Boix (2003) data sets all of these countries are treated equally, non-democracies. For another critic of dichotomous measures used by Przeworski *et al*. (2000) see Gates *et al*. (2006).

competitive elections, and the emergence of civil society (Ryan and Schwedler 2004, 138, 141).

Dichotomous measures, as employed in the current literature, therefore, fail to distinguish between countries that have made a substantial improvement toward democracy and that have not. Przeworski *et al's.* (2000) and Boix's (2003) dichotomous coding, for instance, fails to catch the important changes in Algeria and Jordan in 1989, El Salvador between 1964 and 1970, and Turkey in the late 1940s. A closer look at these cases clearly reveals that the dichotomous measures of democracy overlook a substantial variation in the level of democracy within these countries. Algeria, for instance, went through "politically significant" changes in 1989 and moved from –9 to –2 on the Polity scale (Esteshami 1999, 210). Similarly, the Turkish experiment with democratization that started in 1946 culminated in the opposition party's victory in 1950 (its Polity score went up by 10 points from –7 to 7).

Vanhanen's (1997; 2000) index of democracy (id), which measures two important dimensions of democracy (participation and competition) confirms the argument that changes that have been overlooked because of the coding criteria used to identify democracies from non-democracies merit further scrutiny. The participation part of the index is measured as "the percentage of the total population who actually voted in the election" whereas competition is "calculated by subtracting the percentage of the votes won by the largest party from 100" (Vanhanen 1997, 34). The final score for *id* is obtained by multiplying these two scores and dividing the outcome by 100. Vanhanen identifies Turkey for the period between 1946 and 1960 as a democracy: The competition

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and participation scores went up from 0 to 15.1 and from .5 to 38, respectively, in 1946

and the index of democracy for Turkey increased from 0 to 5.74. The improvement

continued and the *id* reached to 17.65 in 1950 when the opposition party took power.

Some examples of nations that experienced substantial changes yet are coded as non-

democracies by Przeworski *et al.* (2000) and Boix (2003) are presented in Table 4-1.

Table 4-1. Nations with major changes toward democracy coded as non-democracies by
Przeworski *et al.* and Boix.

Country Name	Year	Change in the Polity Score	Change in Vanhanen's *id* score
Algeria	1989	7 points	1.21
Turkey	1946	10 points	5.74*
Iran	1980	4 points	5.11
Jordan	1989	5 points	1.88
Malaysia	1971	3 points	10.5**
Taiwan	1987	6 points	5.17***
El Salvador	1964	3 points	1.19****

*The score reached to 17.65 in 1950.
**This is the score for 1971.
***This is the score for 1990.
****The score reached to 5.68 in 1967.

The main focus of this chapter is to analyze under what conditions a country takes

a considerable step toward a more democratic system. As Cohen (1971, 8, emphasis

added) has rightly summarized "the scale upon which actual democracies are appraised

cannot be a single and simple one. Once having given up the supposition that democracy

must be either altogether present or not present at all, it requires only a further adjustment

of our expectations to recognize that *it may be present in different respects, and to*

different degrees in each respect." More specifically, democracy "is a process, not an end

state. And it is often the case, the journey is more important than destination" (Epstein *et*

al. 2006, 552). Therefore, to overcome the problems associated with the current

dichotomous measures of democracy, I used the Polity IV measure of regime change

(regt and d4 variables) to identify a *change toward democracy* (CTD) within a society.

Relying upon the Polity IV data,[22] I defined a dichotomous variable to identify a

CTD (defined as at least a 3-point increase in the Polity score) to tease out what factors

account for such a change: What leads to a considerable step toward wider participation?

The Polity IV data set conceives of a system as a democracy when there are "institutions

and procedures through which citizens can express effective preferences about alternative

policies and leaders…institutionalized constraints on the exercise of power by the

executive…[and] the guarantee of civil liberties to all citizens in their daily lives and in

acts of political participation." (Marshall and Jaggers 2002: 13)[23] An autocracy, on the

other hand, is characterized by the "lack of regularized political competition and concerns

for political freedoms." (Ibid.) The *Polity2* variable is defined as the difference between

these two composite measures (Democracy value – Autocracy value) and ranges from

+10 (full democracy) to –10 (full autocracy). The 3-point threshold, to some extent, like

any measure that attempts to identify and/or distinguish a system of governance from

another, is inherently arbitrary. However, a closer analysis of events that have led to at

least a 3-point increase versus 1 or 2-point increases reveals an important difference: The

former indicates a substantial constitutional change.

To clarify, consider the change that occurred in South Africa in 1994. Following a

bloody and long civil conflict the apartheid regime came to an end and a new

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[22] Polity IV Project: Political Regime Characteristics and Transitions, 1800-2002. Dataset Users' Manual. Accessed at http://www.cidcm.umd.edu/inscr/polity/ on Feb. 21, 2006. Also, see Gurr (1974).
[23] Polity IV Project: Political Regime Characteristics and Transitions, 1800-2002. Dataset Users' Manual. Accessed at http://www.cidcm.umd.edu/inscr/polity/ on Feb. 21, 2006.

constitution, bill of rights, and universal suffrage went into effect in 1994 (Stearns 2001, 1072). Consequently, the Polity score for South Africa increased from 6 to 9. That is, the 3-point increase in South Africa's Polity score reflects an important regime change because it allowed previously disfranchised groups to become a part of the political process. Vanhanen (2000) reports an increase of 15.06 (the *id* increased from 3.1 in 1993 to 18.07 in 1994) for South Africa.

Romania provides another example. The Polity score increased from 5 to 8 in 1996. Following the fall of the Communist regime, the National Salvation Front (NSF) under Ion Iliescu's leadership dominated the government until it was swept from power in 1996 (Stearns 2001; CIA World Factbook). Despite important changes following the demise of its communist regime, Romania remained dominated by the former communists who were accused of maintaining many of the former regimes' policies (Stearns 2001, 902). This led Higley and Burton (2006, 51) to dub the first few years as "nominally democratic." The 1996 elections, in which the opposition party swept the former communists from power, brought about important changes in Romania. According to Vanhanen's data set Romanian democracy improved on both participation and competition indicators and the composite indicator (*id*) increased from 27.7 to 32.11 within a year.[24]

On the other hand, Chile had a 1-point increase in its polity score in 2000 when Lagos Escobar, a member of Socialist Party, won the presidential elections. Although the new president promised constitutional amendments and more civilian control over the

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[24] A change of 4.41 on the *id* scale might seem rather insignificant. Notice, however, a score of 5 on *id* scale is the threshold used to separate democracies from non-democracies in the same data set.

military (Stearns 2001), the change did not bring about substantial constitutional changes but rather showed a peaceful transfer of power from the incumbent to the opposition party. Vanhanen (2000) reports an increase of 1.66 on *id* scale for Chile in 2000. Notice, this is almost one third of the change that Romania had in 1996 with a three-point increase on the Polity scale.

The South Korean case is instructive here. South Korea became a democracy in 1987. The Polity score increased from –5 to 6 in 1988. Przeworski *et al*. (2000), Boix (2003), and Vanhanen (2000) data sets identify the regime in South Korea as a democracy after 1987. The Polity data reports a 2-point increase in 1998 for South Korea: The score increased from 6 to 8. However, this increase did not reflect a considerable change in the regime. Rather it came after the opposition party took power following the elections in 1997. Vanhanen (2000) does not report any changes in competition, participation, and index of democracy scores for South Korea in 1998.

Likewise, Nicaragua went through a considerable change (the Polity score increased form –1 to 6) in 1990 when the revolutionary government handed over power to the united opposition's (the National Opposition Union, UNO) presidential candidate, Chamorro, following the UNO's electoral victory. In the Chamorro's years the armed conflict declined and the country "overall progressed toward national reconciliation and democratic consolidation" (Booth *et al*. 2006, 88). Vanhanen (2000) reports an increase of 4.63 on the index of democracy for Nicaragua in 1990. In 1995 the country had a 2-point increase in its Polity score. However, despite the fact that "a wide spectrum of politicians engaged in frequent bargaining, negotiation, and pact making" (Booth *et al*.

2006, 88), the changes did not bring about a new regime but rather reflected the internal

bargaining among the powerful actors within the established framework. More

specifically, it was a reflection of a series of negotiations and bargaining over how to

establish civilian control over the armed forces and "unlink" it from Sandinista National

Liberation Front (FSLN) (ibid.).

One could argue that a 3-point increase is qualitatively different from, say, a 5-

point increase. To address this problem, relying upon the Polity IV data set, I dissected

CTDs into three categories based upon the degree of change. The polity data set identifies

three types of regime changes: Positive regime change, minor democratic transition, and

major democratic transition. The first category includes cases that experienced at least 3-

point increase in Polity score without a *shift* in regime type. Minor and major democratic

transitions include cases that have 3-5 and 6 and greater point increase in Polity score,

respectively, with a shift in regime type. A shift is defined as a change from "autocracy"

(-10,0) to a "partial democracy" (1,6) or a "full democracy" (7,10) or a change from

"partial democracy" to a "full democracy" (Polity IV Project: Dataset Users' Manual,

34).

This, however, is not an entirely satisfactory operationalization of changes toward

democracy, since it underestimates considerable changes without a shift in regime type.

Moving from 5 to 8 on the Polity scale, for instance, is coded as a minor democratic

transition, whereas a change of seven point increase, say from –9 to –2, is treated as a

positive regime change. Substantively, however, the latter, describes a more dramatic

change in regime type because it does represent an important shift toward democratization.

To extend this argument, the creation of multiparty political system in Algeria in 1989 marked the end of an era characterized by military rule (Stearns 2001, 992). Consequently, the score for Algeria increased by 7 points on the Polity scale (from –9 to –2). Similarly, the movement of the Young Turks in the late-nineteenth and early-twentieth centuries under the Ottoman Empire led to substantial changes in the political system. As Stearns (2001, 531, 533) summarizes, although the Young Turks Movement was not a complete success story, it did, however, culminate in the first constitutional government in the Ottoman Empire's history in 1876 and the movement managed to strengthen its position in the 1908 revolution which resulted in parliamentary elections, dismantling of the secret police, ending censorship, and a reduction in the sultan's power (Also see Kayali 1995).

Notice that neither Algerian nor Ottoman political systems experienced any regime shifts as identified in the Polity IV data set. However, it is obvious from historical records and an increase of 7 and 6 points, respectively, (the Polity score for the Ottoman Empire increased from –10 to –4 in both events) that these changes were turning points in the countries' political histories. As Esteshami (1999, 206, 210) writes regarding a country like Algeria "where meaningful elections had been almost completely absent in previous decades," the introduction of multiparty elections at the local and national levels is "politically significant." For the sake of comparison, consider the change in the Turkish democracy that culminated in a 5-point increase on the Polity scale (from +4 to

+9) in 1961. This change fulfils the Polity criteria of a shift since the country moved from a partial democracy to a full democracy. Nonetheless, it is hard to argue that the change that took place in Turkey in 1961 was substantially more important that the ones that took place in Algeria in 1989 and in the Ottoman Empire in 1876 and 1908 only because the change in Turkey includes a shift in the regime. Indeed, the latter events also describe a positive change toward a more inclusive and democratic system.

To overcome this deficiency and obtain an ordered category of changes toward democracy I slightly modified the Polity's categories. I identified four outcomes based on the point increase in a country's Polity score, regardless of whether it had a shift in regime. The first outcome variable is defined as no change toward democracy and coded 0 for every country-year accordingly. The second outcome variable reflects changes that culminated in a 3-point increase on the Polity scale. Similarly, changes that resulted in 3-5 and 6 or greater point increases on the scale are coded 2 and 3, respectively, to obtain an ordered dependent variable.[25]

In addition to the binary and ordered outcome variables defined above I regress the set predictors on a continuous variable (the *polity2* variable from the Polity IV data set) that ranges from –10 (least democratic) to +10 (most democratic) to provide a robustness check for the results obtained from using a certain threshold to separate a democratic regime from an authoritarian one. As discussed earlier, dichotomous measures fail to distinguish between countries those have made a substantial improvement toward democracy and that have not (Epstein *et al*. 2006). Countries (and

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[25] Using the Polity IV categories, without the slight change I introduced, yielded similar results.

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some periods) that have been coded as non-democracies in some studies (e.g., Przeworski *et al*. 2000; Boix 2003), such as Iran, Malaysia, Jordan, and Algeria, have made considerable improvements in their democratization attempts. Therefore, using the country year as the unit of analysis with a continuous measure of democracy might reveal important variation that otherwise would not have been captured.

Independent Variables

The core hypothesis is that a change toward a more inclusive system is a function of a change in the social and economic structure. It is difficult to measure whether any change has taken place in the upper and/or lower levels of a social structure. However, it is fair to assume that any changes that might affect the shape of a social structure will influence both the upper and lower-level groups. Several proxies are employed to measure such structural changes within a society.

The data for the main covariates come from World Development Indicators (WDI). *Manufactures exports* as a percentage of merchandise exports was used to measure structural economic transformation (i.e., the degree of industrialization) within a social system. To analyze the impact of agrarian economy I used *agricultural raw materials export* as a percentage of merchandise exports. *Fuel* and *ores and metals exports* as percentages of merchandise exports were used to measure the effect of mineral economy on the decision to take a step toward democracy.

Control Variables

Obviously, given the multidimensional nature of the variable of interest, one should include control variables to obtain non-spurious statistical results. To this end, I

used several economic and social variables that have been found to be associated with the emergence of democratic regimes.

Although the theory suggests that the gap between lower and upper classes should not have a negative effect on a taking a step toward higher levels of democracy, a large number of scholars have argued that income inequalities lower the prospects for democratization (e.g., Muller 1995, 1997; Ember *et al*. 1997; Vanhanen 1997; 2001; Boix 2003). To measure income inequality I employed UTIP's (University of Texas Inequality Project) estimated household *income inequality* data (EHII), derived from the econometric relationship between the UTIP's industrial pay inequality and the World Bank's Deininger and Squire data set.[26] These data, however, are available only for the 1963-1999 period. This variable can take values between 0 and 100, with higher values indicating higher levels of inequality. These data range from 24.77 to 59.09 for the sample used to estimate the models.

The link between economic development and democratization has been well established (e.g., Lipset 1959; Helliwell 1994). If the theory proposed in this study is true, then it should not be increased wealth *per se* that accounts for achieving wider participation. The *GDP per capita* and *illiteracy rate* (total adult illiterates as a percentage of people ages 15 and above) were used to control for modernization effects (Fearon and Laitin 2003 and WDI, respectively).

Some have argued that democracy is more likely to emerge and endure in homogeneous societies. Ethnic and religious divisions within a society tend to produce

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[26] The data were obtained from http://utip.gov.utexas.edu/data.html on Feb. 16, 2006.

exclusionary regimes in which the dominance of some groups is established (e.g.,

Horowitz 1993; 2000). I employed ethnolinguistic fractionalization (ELF) and religious

fractionalization indices, which measure the probability of two randomly selected

individuals from a country will be from different ethnic and religious groups,

respectively, as proxies for the degree of social fractionalization (Fearon and Laitin

2003).

Despite the disagreement among the scholars over the link between Islam and

democracy, some have argued that Islam and democracy are incompatible mainly

because Islam does not distinguish between religious and political communities

(Huntington 1991-1992; 1996). Fish (2002: 5), on the other hand, argues that the

subordination of women in Muslim societies lies behind the "democratic deficit" in

Muslim countries. The percentage of *Muslims in total population* was used to control for

this cultural argument (Fearon and Laitin 2003).

The size of population can have a strong effect on the emergence of social and

economic crises within a society. A large population can simply reduce the amount of

resources available for the members of society and thus increase the level and amount of

threat posed to the system. *Population* size is included to control for this effect. These

data come from Fearon and Laitin (2003).

Further to confront with the simultaneity problem between the variables, I lagged

the economic variables. For instance, the share of agriculture and manufacturing sectors

in total exports might follow the *change* in the political system, not vice versa. Similarly,

having experienced a CTD might affect the income inequality and/or GDP per capita

within a society. Therefore, the percent of agriculture, minerals, manufactures, and fuel in total exports; the income inequality variable; the GDP pc, the illiteracy rate; and the population variables were lagged one year. The GDP pc and population variables were logged to eliminate statistical (i.e., skewness) and computational issues.

Method

The primary interest in this section is to analyze under what conditions a country takes a substantial step toward wider participation. The *unit of analysis*, therefore, is country year. I have defined three outcome variables: Two categorical and one continuous.

The first categorical outcome variable is onset of a transition to a CTD, as defined above. It is coded 1 for all country-years in which a country experienced a transition toward wider participation and 0 for all others. Due to the binary nature of the dependent variable I used binary logit model to estimate the probability of taking such a step in a given year. Notice that the outcome variable is operationalized as at least a three-point increase on the Polity IV scale: A country can experience more than one CTD. Taking a step toward wider participation occurs gradually and in reality very few countries take another step immediately following the previous one. Therefore having had a CTD in the previous year should influence the chances to experience another CTD in the following year. Controlling for this eliminates the possibility of temporal dependency and provides a control for the previous experience.[27]

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[27] Fearon and Laitin (2003) adopt a similar strategy to estimate the civil war onset in a given year.

The second categorical dependent variable has more than two outcomes. As mentioned earlier, to provide a better explanation of under what conditions make a country more likely to take a step toward democracy one needs to control for the fact that not all changes toward democracy (i.e., CTDs) are alike. Binary logit model that estimates the probability of taking a three-point step toward democracy might obscure the variation among these events. Using the Polity IV data set I have identified four different outcomes, which can be ranked according to the degree of change, to analyze the relationship between the primary explanatory variables and the decision to move upward on the democracy scale.

Here I assume a latent variable that lies between an autocratic regime (i.e., -10) and a democratic one (+10). I have specified four outcomes and three thresholds on the journey to democracy and I estimate the probability of observing each outcome as a function of a set of explanatory variables. Although, the distance between each of the outcome variables defined above may not be known and the distance between outcome 1 (authoritarian regime or no change) and outcome 2 (defined as a three-point increase on the scale) may not be equal, it is plausible to assume that a six point increase, for instance, can be ranked above a three-point increase on the Polity scale.[28] Therefore, I employed ordered logit model to conduct the analysis.[29]

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[28] This assumption is critical since I use ordered logit to estimate the model. Without such assumption the choice of model would be multinomial logit, which produced substantially similar results.
[29] The ordinal outcome variable (i.e., no change; three; three-five; and six and greater point change) is derived from the Polity measure of democracy (-10 to +10) scale. Since a substantial change toward democracy (i.e., CTD) is defined as at least a 3-point increase on the scale, countries near upper boundary (8 and above) will not have a chance to experience any change. To eliminate any potential bias that might be caused by such artificial restriction on the outcome variable, I estimated the model without such cases. The model, however, produced substantially the same results.

The third dependent variable is continuous and ranges from –10 (least democratic) to +10 (most democratic). This measure, as discussed above, comes from Polity IV data set and is intended to provide a robustness check. Due to the nature of the third outcome variable I employed ordinary least squares method to estimate the model.

The methodological problems associated with cross sectional time series data serial correlation and heteroskedasticity have produced a heated discussion over how to analyze such data. Following Beck and Katz's (1995) critique of using generalized least square (GLS) to analyze panel data when the number of units is less than the number of time points, ordinary least squares (OLS) with panel-corrected standard errors (PCSEs) has become a common practice among the political scientists. Unless the number of time points is substantially larger than the number of units, the GLS procedure produces smaller errors that lead to overconfident results (Beck and Katz 1995).[30] In addition, Beck and Katz recommend using lagged dependent variable to mitigate serial correlations among the error terms.

Analysis

For the 1960-1999 period I was able to include 1,424 observations (i.e., country years) to estimate the models. The results are presented in Table 4-2.

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[30] In this study, although, this condition is satisfied for some countries, due to unbalanced panels, using GLS requires forcing the panels as if they were balanced. To avoid this I opted for using OLS with panel corrected standard errors (PCSEs). Using GLS, however, yielded similar results to those obtained from using OLS with PCSEs. Since the panels are unbalanced I used "xtpcse" command in Stata with "pairwise" option to analyze the data.

Table 4-2. Economic transformation and transition to wider participation, 1960-1999.

Variable	Logit	Ordered Logit	OLS
Manufactures Export (%)	-.01	-.001	.006**
	[.01]	[.01]	[.003]
Agricultural Export (%)	.02	.01	.0008
	[.016]	[.03]	[.006]
Fuel Export (%)	-.02*	-.02*	-.001
	[.009]	[.009]	[.003]
Minerals Export (%)	-.009	-.02**	-.008**
	[.01]	[.001]	[.004]
Lagged Dep. Variable	-1.55***	--	.93***
	[.39]		[.02]
Income Inequality	.007	.06	.02
	[.04]	[.04]	[.01]
GDP per capita (logged)	.08	.15	.09
	[.37]	[.46]	[.09]
Illiteracy Rate	-.02*	-.04**	-.01***
	[.01]	[.02]	[.004]
Ethnic Fractionalization	.90	.55	.33**
	[.72]	[.81]	[.16]
Religious Fractionalization	-2.7**	-4.52***	-.89***
	[.97]	[1.31]	[.26]
Muslim (%)	.003	-.005	-.004*
	[.006]	[.007]	[.02]
Population (logged)	.10	.17	-.04
	[.14]	[.17]	[.04]
Constant	-3.23		-.57
	[4.28]		[1.16]
Number of Observations	1,422	1424	1424
Prob>Chi2	.002	<.001	<.001
R Squared	.07	.17	.92

Note: Standard Errors in brackets (two-tailed). *: sig. at 10 percent level; **: sig. at 5 percent level; and ***: sig. at 1percent level. The coefficients were obtained using Stata 9.1. All variables, except ethnic and religious fractionalization and Muslim variables, are lagged one year. The R2 values for logit and ordered logit models are Pseudo R2. The results from OLS model were obtained using Panel Corrected Standard Errors (PCSEs) and were based on 90 countries.

The results indicate important findings. Of the explanatory variables, the measures of mineral wealth (fuel and non-fuel minerals exports) and the indicator of industrialization (manufactures exports) show noticeable effects on the outcome variable. The findings on fuel and non-fuel minerals confirm the argument proposed by the proponents of rentier state theory regarding the negative effects of mineral wealth on democratization. Nations with large amounts of mineral wealth are less likely to make a considerable CTD. This finding is robust across models. The effect of manufactures exports, however, is discernable only in OLS model. The analyses do not provide support for the expectation that an agrarian economy will lead to lower levels of democracy. Of the control variables, illiteracy rate and religious fractionalization substantially dampen the prospects for democratization in all models.

The result from the logit model suggests that fuel exports significantly reduce the chances to make a transition to a CTD. Similarly, the coefficient produced in the ordered logit model is negative and discernable from zero. The hypothesis that a mineral economy hinders democratization is further supported by the negative and significant coefficient on non-fuel minerals. This effect is both substantially and statistically significant in the ordered logit and OLS models. The OLS coefficient suggests a .008 decrease in the level of democracy on the Polity IV scale for every one percent increase in non-fuel minerals exports.

It should be noted that the coefficients from binary and ordered logit models suggest only the direction and significance levels of each variable, not the magnitude. In nonlinear models the magnitude of a relationship between an exact change in an

explanatory variable and the outcome probability depends upon the levels of other variables in the model (Long and Freese 2003, 109). In order to provide a substantive interpretation for the effect of the predictors I converted the binary and ordered logit estimates into predicted probabilities.

The marginal effects of significant variables (at 90 percent or better confidence level) were calculated as the difference between the predicted probabilities when the variable of interest increased by one standard deviation from its mean, holding other variables constant (i.e., at their means). Another way of measuring the effect of a given change in a continuous predictor on the outcome probability is to hypothetically allow the variable of interest to range from its minimum to maximum and then take the difference between the two predicted probabilities for these two values of predictor. As summary statistics display, however, most of the variables show large variation.

Table 4-3. Summary statistics for the independent variables.

Variable	Min	Max	Mean	St. Dev.
Manufactures Export (%)	0	93.52	32.79	27.08
Agricultural Export (%)	0	70.06	7.23	9.43
Fuel Export (%)	0	99.99	18.37	28.54
Minerals Export (%)	0	99.07	8.76	27.08
Income Inequality	24.77	59.09	44.27	5.32
GDP per capita (logged)	5.97	10.58	7.92	.82
Illiteracy Rate	.2	91.68	30.46	23.57
Ethnic Fractionalization	.004	.93	.40	.29
Religious Fractionalization	.02	.78	.33	.22
Muslim (%)	0	100	27.10	38.08
Population (logged)	6.25	13.85	9.36	1.44

Note: Summary statistics are based on only those country-years included in the analyses.

In reality no country experiences a change from minimum to maximum: It is unrealistic to assume that the manufactures or fuel exports, for instance, for a country will vary from minimum (0 %) to maximum (99.9 %).[31] Therefore I opted for raising each variable by one standard deviation from its mean to evaluate the changes in the probability of observing the outcome variable as a function of an exact change in the variable of interest. The predicted probabilities from binary logit model are shown in Table 4-4.

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[31] These numbers are for the fuel exports variable.

Table 4-4. Marginal effects from one standard deviation change in significant predictors for binary logit model.

	Predicted Probability		
Variable	Mean	Mean (+) One St. Dev.	Change
Fuel Export (%)	.026	.017	-.009
Illiteracy Rate	.026	.017	-.009
Religious Fractionalization	.026	.015	-.011

Table 4-4 displays only the effect of the significant variables. The last column shows the change in the probability of observing the outcome (i.e., transition to a CTD) as a function of an exact change in the predictor (i.e., one standard deviation increase from the mean). The result for the fuel exports variable, therefore, suggests that one standard deviation increase from the mean decreases the likelihood of making a transition to wider participation (i.e., CTD) by almost one percentage point. Similarly, an increase of one standard deviation from the mean for illiteracy rate and religious fractionalization dampens the chances for transition to a CTD by about one percentage point.

Notice, however, that the binary logit model estimates how each predictor influences the probability of taking a substantial step toward democracy. It is worth reiterating that a CTD is defined rather broadly in the logit model. That is, every country-year is coded 1 if that particular country experienced an increase of at least three-point change in its Polity score. As mentioned earlier, however, there is a need to dissect each of these changes since each event might be qualitatively different from another.

The results from ordered logit model shed more light on the relationship between a change in each explanatory variable and a change in the outcome probability. As column 2 of Table 4-2 displays, mineral wealth, illiteracy rate, and religious

fractionalization significantly reduce the probability of democratization. The predicted

probabilities for these variables provide a better understanding regarding the relationship

between each of these predictors and the probability of observing the outcome

variable(s).

Table 4-5. Marginal effects from one standard deviation change in significant predictors for ordered logit model.

Variable	Outcome 1	Outcome 2	Outcome 3	Outcome 4
Fuel Export (%)	.09	-.025	-.01	-.06
Minerals Export (%)	.13	-.04	-.01	-.09
Illiteracy Rate	.17	-.05	-.018	-.10
Religious Fractionalization	.20	-.06	-.02	-.12

As presented in Table 4-5, a one standard deviation increase in fuel exports

lowers the chances of observing a three-point increase on the Polity scale (outcome 2) by

2.5 percentage points. This effect becomes stronger for outcome 4 (six-point or greater

increase on the Polity scale): It lowers the probability of such change by 6 percentage

points. Consistent with dampening effect of an increase in the fuel exports on observing a

CTD, an increase of one standard deviation from the mean increases the probability of

observing no movement toward democracy (outcome 1) by 9 percentage points.

Likewise, an increase of one standard deviation from the mean for the non-fuel mineral

exports lowers the chances of observing a major democratic transition identified as six or

greater point change in the Polity score (outcome 4) by 9 percentage points. Of the

control variables, illiteracy rate and religious fractionalization dampen the chances for

democratization, and their effects are substantial: Every one standard deviation increase

from the mean decreases the probability for outcome 4 by 10 and 12 percentages points, respectively.

The effects of the variables that were found to have a discernable effect on the outcome in binary and ordered logit models – mineral wealth, illiteracy rate, and religious fractionalization – (see Table 4-2) are confirmed by the results obtained from the OLS model. Although the fuel variable does not achieve statistical significance, the second measure of a mineral economy, non-fuel minerals exports, leads to a .008 decline in the level of democracy for every percentage increase in the minerals exports. Of the explanatory variables, manufactures exports seem to increase the level of democracy, but this relationship is appreciable only in the OLS model. Every one percent increase in manufactures exports is associated with a .006 increase in the level of democracy on the Polity IV scale.

Of the control variables education (i.e., illiteracy rate) substantially affects the prospects for democratization. It is worthwhile to draw attention to the insignificant relationship between GDP pc and democratization. The education effect, on the other hand, is quite strong and robust across all models. The OLS coefficient, for instance, implies that as a country eradicates illiteracy it improves its democracy: Every one percentage decline in the illiteracy rate leads to a .01 point positive change the level of democracy. As such the findings confirm Lipset's (1960, 56) argument that the effect of

education is "more direct and strong" and as "all the relevant studies indicate…education is more significant than either income or occupation."[32]

The negative effect of the religious fractionalization variable is confirmed by the coefficient obtained from OLS model. Although, the OLS model produces a positive and significant relationship between the level of democracy and ethnic fractionalization, this effect is not robust across models. Similarly, the OLS results show some weak support for the argument that the prospects of democratization in Muslim societies are low.

Conclusion

Regime formation in general and democratization in particular are a function of interactions between upper and lower classes. Despite a large body of literature on the causes of democratic transitions there is no consensus over the casual mechanism. In other words scholars disagree over the relative importance of social classes (i.e., bourgeoisie, labor, landed elite) and of socioeconomic development (e.g., increased wealth) in bringing about or blocking wider participation.

The prominent role that Moore (1966, 418) assigns to the bourgeoisie as the engine of liberal democratic regimes -"no bourgeoisie, no democracy"- has been criticized by others (e.g., Rueschemeyer *et al*. 1992; Bellin 2000). Modernization theory, which emphasizes the impacts of socioeconomic development on democratization, has been challenged by some on the grounds that it does not provide an explanation for the

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[32] To check the robustness of the findings and control for possible collinearity between the "illiteracy" and "GDP *pc*" variables, I ran the models without the former variable. Dropping the "illiteracy" variable from the models increased the significance level of GDP *pc* variable. However, it reached significance only in the ordered logit model. Put differently, adding the illiteracy variable washes away the GDP *pc* effect. These alternative specifications strengthen the conclusion reached by Lipset (1960): education has a stronger effect than income.

transition to democracy. Critics point to the lack of a common pattern to the emergence

of democratic regimes and contend that "the emergence of democracy is not brought

about by development. Rather, democracy appears exogenously as a deus ex machina"

(Przeworski and Limongi 1997, 159).[33]

Building upon modernization theory some (e.g., Vanhanen 1997; Muller 1995;

1997) have argued that democratization is a function of economic development that

produces a large middle class thereby reducing the gap between the rich and the poor.

The emphasis on economic equality becomes more visible in Boix's (2003) theory of

democratization. Building upon the framework that was first advanced by Anderson

(1992) and later extended, refined, and generalized by Acemoglu and Robinson (2000;

2001), Boix assets that economic inequality lies behind both the emergence and survival

of democratic regimes.

However, despite a large body of literature on the genesis of democratic regimes,

the role of the elites (i.e., upper classes) in the formation of democratic systems of

governance has been undermined or not received enough attention. Putting the seminal

works by John Higley and his colleagues aside (see, for instance, Burton *et al*. 1992;

Higley and Burton 2006), students of regime formation and democratization have

primarily ignored the power difference between upper and lower classes in a

socioeconomic structure. Failing to recognize the power imbalances between the rich and

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[33] It should be noted that Przeworski and Limongi (1997) contend that modernization theory fails to explain transition to democratic regimes yet it provide an explanation to why an increase in wealth, as the key to the theory, is associated with more durable democratic regimes. For more on this see next chapter.

the poor has led many to conclude that pressure from below (i.e., threat from the lower classes) accounts for the emergence of democratic regimes.

Pressure from below, although an important factor in triggering the process of democratization, at best can serve as an intervening variable. Pressure from below for wider participation, I have argued, can serve to initiate a transition to a higher level of democracy to the extent that socioeconomic development enables the lower classes to gain leverage without threatening the upper classes' established position in the system. As such this study fills the gap, which has been overlooked in the recent democratization literature, by emphasizing the role of elites (and linking it to socioeconomic development) for a democratic regime to flourish. Further, it shows that the source of wealth or enrichment matters - a finding that confirms Carles Boix's (2003) and others' findings – and provides evidence for the argument that transition to democracy is not random but rather has some common and observable patterns.

Another important contribution of this project is that it dissects the journey to democracy (Epstein *et al*. 2006, 552) by employing several operationalizations of democratization. Democracy, as Epstein *et al*. (2006, 552) put it, "is a process, not an end state. And it is often the case, the journey is more important than destination." In the long journey to democratization steps taken by societies have been inadequately modeled by current studies due mainly to arbitrary thresholds used to separate democracies from non-democracies. Ignoring an important change toward higher levels of democracy just because that particular country did not pass the arbitrary cut off introduced by the current studies misses important aspects of the transition journey. Obviously there is a need to

distinguish democracies from non-democracies and such separation will naturally involve some arbitrary elements. What this study has shown, however, is that there is a need to consider every important steps taken by a country in its journey to democracy. That is, democratization is a gradual phenomenon, and there is a need to model that phenomenon by analyzing every substantial change toward the end.

Along the journey toward democracy an economic transformation that provides alternative avenues for power lessens the type and the degree of threat associated with the lower classes' demands. That is, as a socioeconomic structure evolves from a "pyramid" to a "diamond," the nature of pressure from below alters in a way that convinces the upper classes that "they could manage equally well" (Linz and Stepan 1996, 78) in a more democratic environment.

It should be noted, however, even in Lipset's diamond like social structure there exists a gap between the upper and lower classes. What is crucial is that the empowerment of the previously disfranchised segments of the society should not come at the expense of the established elites' vested interests. Factors that threaten the elites' interest, I have argued, reduce the chances for democratization. As such, the results confirm the expectation that abundant mineral wealth provides incentives for the owners (i.e., elites) to cling to the power since pressure from below is more likely to be perceived as a direct threat to the upper classes' control over resources. This is in accordance with the rentier state theory (e.g., Luciani 1987) and other works (e.g., Jensen and Wantchekon 2004; Ross 2001; Boix 2003) that have proposed a negative relationship between abundant mineral wealth and democratization.

Although I have not explicitly modeled the effect of elites in bringing about a democratic regime, due mainly to difficulties in overcoming a potential tautology problem,[34] the gap between the rich and the poor (i.e., economic inequality) can serve as a good proxy for whether elites' interests are threatened by the introduction of democratic institutions. The argument that high levels of economic inequality should not be inimical to transition to higher levels of democracy but rather should facilitate it by providing incentives for the upper classes has been supported by the empirical analyses. The findings indicate that higher levels of economic inequality help to achieve higher levels of democracy. This effect comes very close to statistically significance level in ordered logit (p-value= .12 at two-tailed) and OLS (p-value= .13 at two-tailed) models. Economic equality does not constitute a necessary precondition for the emergence of democratic regimes, a conclusion in contrast to the prevalent view (e.g., Boix 2003; Acemoglu and Robinson 2006b) on the negative relationship between inequality and democratization.[35]

I have failed to find support for the proposition on the negative link between an agrarian economic structure and democratization. However, this non-significant finding sheds light on the link between elites and regime change. As discussed earlier, what lies behind wider participation in an agrarian economy is the transformation of the elites from growers to the exporters/intermediaries (see, for instance, Paige 1997). This does not necessarily mean a substantial reduction in the agrarian sector's share. On the contrary so long upper classes do not derive a large amount of their revenues from land a strong

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[34] For more on this point see next chapter.

[35] This effect becomes stronger in survival of democratic regimes. For a detailed discussion on how inequality and elite's support influence the duration of a democratic system of governance see next chapter.

agrarian economy ceases to be an obstacle for wider participation. It should be noted that the agricultural sector's share in total GDP was at about 25 percent in Costa Rica, the most stable and democratic country in the region, and Guatemala, the most repressive regime in the region, in the early 1980s. The Costa Rican elites, however, have not been dependent upon the land as their primary income source. This finding, therefore, not only supports the proposition first advanced by Moore (1966) in his seminal work, *Social Origins of Dictatorship and Democracy*, about the antidemocratic nature of landlords, but also clarifies the link between agrarian economy and democratic regimes; so long those occupy the higher echelons of a socioeconomic ladder do not depend upon land as their principal income source a large agrarian sector is not an obstacle against democratic regimes.

Overall the results suggest that it is not increased wealth *per se* or economic equality that account for democratization. Notice that despite the positive coefficient in all three models, the effect of the measure of increased wealth, GDP pc, is not appreciable. As such, the findings support the conclusion reached by Adam Przeworski and his colleagues. That is an increase in wealth, as argued by the proponents of the Modernization theory, does not lead to an onset of democratic regimes, characterized by greater participation and inclusion of the previously disfranchised groups into the system. Nevertheless, the findings further point to a rather complicated mechanism between economic development and democratization. Put differently, it may not be an increase in wealth *per se* that drives the transition to democratic regimes. The results from this study, nonetheless, give support the modernization hypothesis that economic development

accounts for the emergence of democratic regimes through transforming the shape of social structure. The Modernization hypothesis, therefore, seems to be correct for different reasons. It is not increased wealth that lies behind democratic regimes but rather a specific type of economic development that enables lower classes to gain power within the system without threatening the elites' position on the social ladder. As such, this study strengthens the proposition laid out by John Higley and his colleagues on the *sine qua non* element of democracies, elites.

A more important question, however, is whether the dynamics of transition to and survival of democratic regimes are different. More specifically, how does large oil-revenues influence the survival of a democratic regime? Is oil-wealth inherently a curse or can it become a blessing under certain circumstances? How do economic inequality, changes in the socioeconomic structure, and elites' support affect the durability of a change toward democracy? This task is undertaken in the next chapter.

CHAPTER V

DEMOCRATIC SURVIVAL: A DIFFERENT GAME?

Introduction

The evidence from empirical analyses and insights from several democratization cases (e.g., El Salvador, Taiwan, Britain) point to the crucial role that nature of wealth and elite coalition play on the journey to democratization. The evolution of the nations' socioeconomic structure paves the way to extending the franchise to the previously excluded segments of a society. The type of economic structure is the principal factor behind the emergence of radical (moderate) opposition among the non-elites. It also determines the type of conflict that ensues between elites and non-elites. The empirical analyses lend support to the argument that the owners of abundant mineral resources opt for authoritarian regimes. This is consistent with the theoretical expectation that a mineral economy generates a substantial fear among the elites that leads them to resort necessary means to secure their position on the socioeconomic ladder. As such, the results strengthen the conclusion of previous studies (e.g., Beblawi and Luciani 1987; Wantchekon and Neeman 2002; Boix 2003) regarding the negative influences of mineral wealth on the prospects for democratization.

It should be noted, however, that the empirical analyses do not provide any support for the expectation that an agrarian economic structure tends to generate exclusionary politics. Insights from countries with substantial agrarian sectors, such as El Salvador, shed more light on such insignificant findings. As discussed in the previous

chapter, despite a large agricultural sector in El Salvador, it was the evolution of the elites' interests that laid the groundwork for wider participation: The transformation of elites from owners to intermediaries (see, for instance, Paige 1997) facilitated the incorporation of the lower classes' demands into the system.

As such the findings clarify the linkage between economic structure and wider participation by introducing the vitality of the elites into the equation. Putting the seminal works by John Higley and his colleagues (e.g., Burton *et al*. 1992; Higley and Burton 2006) aside, the current democratization studies have by and large overlooked the power difference between the elites and non-elites. With very few exceptions (i.e., Przeworski and Limongi 1997; Collier 1999; Przeworski *et al*. 2000) current democratization studies tend to lump transition to and survival of a democratic regime together. In what follows I contend that the dynamics of transition to and survival of democratic regimes are different: Factors that have been found to dampen the chances for wider participation or are not related the onset of a democratic system of governance show discernable impacts on the durability of the democratic regimes if they do come into being. In a nutshell, the analysis points to the positive effects of mineral wealth and income inequality on the prospects of democratic survival and strengthen the hypothesis proposed by Higley and Burton (2006) with regard to the "sine qua non" element of liberal democracies: Elites.

This chapter proceeds as follows. First, I show evidence, albeit scarce, from the previous studies with regard to the need to distinguish transition to and survival of democratic regimes. Then, I parse out the mechanism through which mineral wealth and

economic inequalities facilitate the survival of a democratic opening. The hypotheses are

tested against a global data set for the period between 1960 and 1999.

<div align="center">Democracy Dissected</div>

Despite a large body of the literature on the link between economic development

and democracy, first advanced by Lipset (1959), there is a need to distinguish the

different dynamics at play in transition to and survival of an incident of democratization.

The presumption regarding the linkage between these two phenomena is that "democracy

takes root and survives where levels of economic development and education are high"

(Helliwell 1994, 225). Scholars such as Lipset (1959, 1960) and Helliwell (1994) have

argued that economic development not only provides the ground for a stable and efficient

democratic regime but also facilitates transition from an authoritarian regime to a

democratic system of governance. Implicit in these works is the notion that the role of

economic development is assumed to be the same with regard to transition to and survival

of a democratic regime.

Despite this generalization, however, the oft cited quote from Lipset ties

economic well-being with democratic survival: "Perhaps the most widespread

generalization linking political systems to other aspects of society has been that

democracy is related to the state of economic development. *Concretely*, this means that

the more well-to-do a nation, the greater the chances that it will *sustain* democracy"

(Lipset 1959, 75, emphasis added). In addition, Lipset, himself, clearly points to the

possibility of differences in the dynamics that lead to a transition to a democratic regime

versus those help sustain it afterwards. Referring to Weber's hypothesis regarding the

relationship between capitalist industrialization and modern democracy, Lipset (1960, 46, emphasis in original) argued that "…an extremely high correlation between…income, education, and religion, on the one hand, and democracy, on the other, in any given society should not be anticipated even on theoretical grounds because, to the extent that a political subsystem of the society operates autonomously, a political form may *persist* under conditions normally adverse to the *emergence* of that form. Or a political form may develop because of a syndrome of unique historical factors even though the society's major characteristics favor another form."

Further, recent studies by Adam Przeworski and his colleagues (Przeworski and Limongi 1997; Przeworski *et al*. 2000) have cast doubt on the modernization hypothesis in general and the assumed link between economic development and democracy in particular. The most notable finding from these studies is that "the emergence of democracy is not brought about by development. Rather, democracy appears exogenously as a deus ex machina. It survives if a country is "modern," but it is not a product of "modernization"" (Przeworski and Limongi 1997, 159). They add that authoritarian regimes also become more stable when they reach a level of about \$6,000 per capita GDP.[36] That is, economic development has no substantial impact on the transition to democracy, but rather influences its survival.

Epstein *et al*. (2006, 551), in their critique of Przeworski and his colleagues' challenge to modernization theory, argue that "they mistakenly interpret their own estimates in a manner that predisposes them to reject the modernization hypothesis."

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[36] 1985 PPP USD.

Using a trichotomous rather than the dichotomous measure of democracy employed by Przeworski and his colleagues, they found that higher incomes per capita significantly increase both the likelihood of transition to democracy as well as the durability of democracies. Regardless of whether one agrees with Przeworski *et al.*'s conclusion or with that of Epstein *et al.*, the debate indicates the necessity of dissecting an incident of democratization and distinguishing among factors that facilitate a democratic transition and those that help sustain democracy.

I side with Przeworski *et al.* (2000) and Collier (1999) when they argue that the dynamics of the transition to and survival of a more democratic system of governance are different. As this study clarifies, factors that have been found to be associated with transition to a more participatory regime and those that facilitate its survival are different. Factors that can block the transition to wider participation or have no discernible effect on such an event might become a useful tool to sustain the very same event. Of these factors economic inequality and mineral wealth merit scrutiny.

<center>Inequality, Elites, and Democratic Survival</center>

Proponents of the equality-democracy hypothesis (Muller 1995, 1997; Ember *et al.* 1997; Vanhanen 1997, 2001; Boix 2003) have pointed to the inimical effects of inequalities of various forms on democratization.[37] The underlying assumption in these studies is that power concentration provides incentives for the owners of power (i.e., resources) to opt for authoritarian regimes, on the one hand, and derail the democratic process out of fear of the majority's (the poor) pressure for redistribution, on the other.

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[37] For more on this, see Manus I. Midlarsky (1997).

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Democracy, as Acemoglu and Robinson (2001, 938) have summarized, becomes a preferred outcome for the poor for its distributional consequences. That is, the poor demand democracy since "…in democracies [they] impose higher taxes on the rich than in nondemocratic societies. This…simultaneously [gives] the rich an incentive to oppose democracy."

Nonetheless, economic inequality exists in all forms of regimes, and asset redistribution is not a defining feature of democracies. On the contrary, most drastic redistributive policies have been undertaken during authoritarian regimes and have been used as instruments of legitimization of the authoritarian order. Land reform, for instance, the most influential remedy to the most obvious form of inequality in developing and less-developed countries, has been implemented to sustain authoritarian regimes. The beneficiaries of Marcos' land reform in the Philippines in the early 1970s, for instance, became "a significant source of rural support" for the authoritarian regime until its collapse in 1986 (Mackie and Villegas 1993, 104). Similarly, despite the fact that "most of the land [was] held in very small plots by millions of landowning families" (Mackie 1993, 90), Indonesia remained an authoritarian country for decades. Nondemocratic governments in South Korea and Taiwan, for instance, redistributed 50 and 24.6 percent of the arable land in 1949 and 1949-1953, respectively, to defuse rural protests and insurrections inspired by land reforms in North Korea and mainland China (Acemoglu and Robinson 2001). Nonetheless, neither country experienced any substantial political regime change until the mid-1980s (with the exception of South Korea's short-lived democratic stint in 1960). Likewise, the authoritarian Latin American and Caribbean

countries that implemented successful land reforms (e.g., Bolivia, Cuba, Mexico) did not experience any substantial political regime changes after redistribution of the land (see, for instance, Meyer 1989; Dorner 1992).

In addition, the assumption that "the median voter, who is a poor individual, will set taxes to maximize his income" (Boix 2003, 23; see also Acemoglu and Robinson 2001) in a democratic regime may not hold. Transition to democracy does not necessarily change the balance of power between previously disfranchised segments of a society and powerful groups. Nel tests whether "higher levels of inequality lead, in democracies at least, to government initiatives to redistribute wealth through progressive tax systems" (2005, 23) and concludes that "it is naïve to believe that the introduction of competitive elections and extension of civil liberties would of itself negate the impact of hegemony and promote redistribution" (2005, 36). Nel's findings suggest that transition to electoral democracy does not help the poor but rather strengthens the rich and concentrates income (also, see Bollen and Jackman 1985, 447-448). These findings cast doubt on the proposed link between democracy and the power of median voters (lower classes) to levy high taxes on the rich. Ruling elites in such societies are more likely to manipulate the system in such a way as to block redistribution; "so long as people whose interests are threatened by reform hold power, they will find ways of assuring that legislation will be ineffective" (Dorner 1992, 35).

The approach proposed in this study suggests that transformation of elites' and/or lower classes' interests is the key behind more inclusive regimes. As mentioned earlier, some members of the traditional elites might lose some of their privileges during such

transformation. Yet, unless a substantial segment of the governing elite transformed in a way that allowed them to escape the threat posed by lower classes, transition to a more inclusive polity is not likely. More importantly, even if transition occurs because of some unforeseen events - ranging from economic bottlenecks, succession crisis, changes in the international political and economic context – such transitions are not likely to be durable due to uneven power balances between upper and lower classes.

Obviously this is not the first study that emphasizes the role of elites in democratization. A large number of scholars, such as Lipset (1960), O'Donnell and Schmitter (1986), and Collier (1999), have pointed to the importance of elites in the emergence of democratic regimes. John Higley and Michael Burton (2006, 1-2), perhaps, have assigned the most prominent role to elites in the formation and consolidation of liberal democracies: "The sine qua non of liberal democracy is a well-articulated, internally accommodative, and relatively secure political elite…."

Higley and Burton (2006, 140) point to the possibility of "elite convergence" by which a disunited elite gradually becomes united and reaches a consensus over the rule of the game and judges that "participation in free and fair democratic elections does jeopardize their vital interests." However a consensually united elite, as the cornerstone of a stable and representative regime, often forms following sudden and deliberate negotiations among powerful groups during the state formation or nation building process. This, as Higley and Burton (2006, 3) have also acknowledged, brings about a potential tautology problem: "If elites chose to practice liberal democratic politics, then

liberal democratic politics will be practiced."[38] This is especially problematic with regard

to the emergence of democratic regimes following sudden and deliberate negotiations

among the elites; it is extremely difficult to identify whether elite settlement precedes the

formation of democratic regime, an essential component for making any sort of casual

claim regarding the roles of elite in the democratization process.

The theory proposed in this study rests upon the assumption that there already

exists a division between the upper and lower strata of the socioeconomic ladder. The

central puzzle is to determine under what conditions the rich opt to accommodate the

lower classes' demands and, once disfranchised segments of a society are incorporated,

what account for the sustainability (i.e., longevity) of such change. In other words, did

the elite play an important role in forming the new regime? Or were they excluded from

the process? Due to theoretical and operational difficulties, I opt to analyze the role of the

elites on the durability of a change toward democracy. The visibility of political elite's

involvement in an important change toward wider participation in an existing

socioeconomic structure eliminates a potential tautology: In an existing structure it is

easier to observe whether the new regime came into being with the elites' consent or

whether it occurred contrary to their consent.

With the exception of revolutions, in which the established elite is eliminated

throughout the revolutionary process, elites often preserve their power within the system

even after the inclusion of the majority (i.e., non-elites). Drastic redistributive measures

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[38] Higley and Burton (2006, 3) acknowledge a potential tautology problem. As they put it "this is, of course, tautology: if elites chose to practice liberal democratic politics, then liberal democratic politics will be practiced. But it is a matter of record that elites seldom make this choice."

from lower classes, presumably empowered by the introduction of power-sharing mechanisms and tools for wider participation, will generate a power struggle between the poor and the rich. If the legislature begins enacting redistributive reforms, the elite may withdraw from the system, bringing about the collapse of the regime. Transitions that are not supported or led by the ruling elites, therefore, will not produce stable democratic regimes.

This does not indicate that the class structure is irreversible and permanent. On the contrary, emphasizing the importance of groups that occupy higher echelons of a socioeconomic ladder and allowing for the possibility of a change in the identity of those groups better explain rare situations where, according to Higley and Burton (2006, 25), "consensually united" elite becomes "disunited." The united elite in Venezuela that was formed in the late 1950s has become disunited/disintegrated over time (Higley and Burton 2006). This study, however, suggests that the seemingly disentangled elite structure in Venezuela is a function of the struggle between lower (non-elites) and upper classes (elites), from which the former group has gained some momentum over years. Since Higley and Burton do not distinguish among lower and upper classes but instead emphasize the pivotal role of political elites in influencing the outcome of the struggle, they conclude that Venezuela's "consensually united" elite has undergone a "disintegration" process. The apparent struggle or "disintegrated" elite structure is a product of lower classes' attempt to consolidate their power and replace the traditional/established elites, a process and a goal that has not been accomplished yet:

The extent to which the lower classes succeed to replace the entrenched elites will determine the outcome.[39]

Focusing on the groups that are at the top of a socioeconomic ladder regardless of their identity provides an opportunity to parse out the outcome of the power struggle between elites and non-elites in a parsimonious way. As explained earlier, crucial is the empowerment of lower classes without endangering the established elites' position within the socioeconomic structure. As such the theory proposed in this study sheds light on the dynamic of democratic survival in countries with high incomes per capita. Higher incomes per capita, perhaps one of the most robust findings in the current democracy literature, help democracies to endure not due to the higher amount of wealth *per se*. Rather as the economy grows and evolves from a *pyramid* to a *diamond* alternative paths to power emerges for the new actors on the social ladder.

However, even in a diamond-like social stratification system there exists a hierarchy and elites often preserve their status in the system. What facilitates the survival of democratic regimes, therefore, is economic transformation from which new paths for upward social mobility emerge without leading to drastic reductions in the upper classes' power. As such, an industrial economy is likely to help sustain democratic regimes by providing alternative paths for the lower classes to better their position on the social ladder. Therefore I expect a step taken toward wider participation (i.e., once a country achieved a substantially higher level of democracy) to survive longer in an industrial economy.

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[39] For more on this see next chapter.

The emergence of alternative channels for upward social mobility, mainly as a function of economic transformation, does not necessarily imply a substantial change in relative economic and political power of the two main classes: The rich and the poor. The gap between the rich and poor may narrow over time. Nevertheless, it is crucial that such narrowing of the rich-poor gap should not come at a direct expense of the upper classes. As Lipset (1960: 64, emphasis added) has aptly put it, the relatively narrower gap between the rich and the poor in developed (i.e., democratic) societies "…has been facilitated by the over-all increase of national income…*not so much by reduction of the income of the relatively rich* as by the faster growth of the income of the relatively poor."[40] This implies that the gap between the upper and lower classes should not have deleterious effects on the decision to open up the system, on the one hand, and this gap is more likely to provide strong incentives for the elites to abide by the rules of the game (democracy), on the other. The discussion is summarized in the following hypotheses.

Hypothesis 5-1: A change toward democracy will survive longer in an industrial economic structure.

Hypothesis 5-2: Income inequality helps sustain a change toward democracy by providing incentives to the elites to abide by the rules of the game.

Hypothesis 5-3: A change toward democracy is more likely to be more durable if the change is initiated and/or supported by the elites.

From this perspective, an agrarian economic structure should increase the risk for an authoritarian backlash since lower class demands in an agrarian socioeconomic

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[40] Lipset (1960, 64 footnote # 32, 33) quotes the United Nations Preliminary Report on the World Social Situation (New York: 1952), pp. 132-33.

structure are likely to be zero-sum. The conflict between lower classes, empowered by transition, and upper classes becomes a conflict over ownership. The landed elite in such a structure is "unwilling and unable to grant any political and economic concessions and dependent on legal or extralegal force for its economic survival" (Paige 1975, 58). This is partly due to the *immobile* nature of wealth (Boix 2003) and partly to the relatively low revenues obtained from the principal income source. This is the central feature that distinguishes an agrarian economy from a mineral economy.

Hypothesis 5-4: A change toward democracy is more likely to fail in an agrarian economy.

Mineral Wealth and Democratic Survival

Scholars that have proposed a negative relationship between mineral wealth – both fuel and non-fuel minerals – and the emergence and sustainability of democratic regimes often rely on the rentier state framework, which emphasizes the inimical effects of external rents on state-society relations (e.g., Luciani 1987; Ross 1999; 2001; Luciani 2005). Extensions of this framework have pointed to the distributional issues associated with natural resource abundance. Jensen and Wantchekon (2004, 819) have argued that the politics in regimes with abundant natural resources is more likely to be "dominated by the issues concerning the distribution of resource rents." Abundant resources provide leaders with a tool to hold on to power by employing negative (i.e., repression) and/or positive incentives (i.e., buy off opposition). This effect, the authors argue, does not go away in "democratic systems with legitimate political competition" (ibid., 821). Democratically elected leaders, with massive amounts of resource wealth at their

discretion, will behave in a similar pattern. They will use the resource wealth to reinforce their rule by either repressing the opposition or buying their political support, which in turn will push the opposition forces to resort to violent means to take over; making the collapse of the regime more likely.

Likewise, Boix (2003) draws attention to the negative political consequences of fixed assets (i.e., land and minerals). Boix lumps land and fuel resources together and argue that because of immobile nature of these resources the owners have strong incentives to establish authoritarian regimes, on the one hand, and acts as a disruptive force under democracy, on the other.

These studies, however, brush aside the fact that the rules of the game undergo substantial changes as a function of the change in the political system. More specifically, once a country passes a certain threshold (i.e., becomes more democratic) the new rules will impact social actors' behavior and their cost-benefit calculations. A recent study by Mehlum *et al*. (2006) found that the alleged relationship between resource wealth and economic development is primarily conditioned by the quality of institutions. Using indices such as rule of law, bureaucratic quality, corruption in government, risk of appropriation, and risk of government repudiation of contracts, to generate an index of institutional quality, they conclude "…countries with different institutions react differently to higher resource income…(p. 1128). In a similar vein, Robinson *et al*. (2006, 450) parse out the relationship between resource wealth and institutional quality and conclude that the assumed negative consequences of resource wealth is primarily a function of political institutions. Institutions that "promote accountability of

politicians…[and]…state competence will tend to benefit from resource booms since these institutions ameliorate the perverse political incentives that such booms create."

The case of Botswana, a stable democratic regime with large extractive resources, illustrates the point. Acemoglu *et al.* (2003), in their detailed analysis of Botswana's success in terms of economic growth despite its substantial natural resource wealth (i.e., copper, nickel, and diamonds)[41], point to the importance of institutions that put constraints on politically important actors. More importantly, in parallel with the argument proposed in this study, they point to the "relative security of elites" in Botswana as an important factor that paved the way for a stable and democratic regime (ibid., 105). The democratic system that came into being following independence in 1966 provided a road map for the traditional elite (i.e., cattle owners) to deal with political and economic issues. The discovery of copper and nickel deposits and "most crucially" kimberlite diamonds in the following years (ibid., 100) further strengthened the consensus over the rules of the game: Democracy. Likewise, Higley and Burton (2006, 129, emphasis added) assign a prominent role to natural resources in explaining the stable democratic regime in Botswana. As they put it "…Botswana has had two important advantages: A small and ethnically homogeneous population, and *plentiful diamond lodes that have yielded large export revenues* with which to *placate* competing elites and their supporters and help keep politics peaceful."

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[41] As they report "…Botswana has performed not only well, but better than any other country in the world in the last 35 years…Botswana had a PPP-adjusted income per capita of $5,796 in 1998, almost four times the African average, and between 1965 and 1998, it grew at an annual rate of 7.7 percent" (p. 80).

Obviously not all countries with varying degrees of democracy have the same institutional quality. Nevertheless, it is plausible to assume a democratic regime (i.e., those that have taken a considerable step toward higher levels of democracy) will fare better than a non-democratic regime in terms of creating checks and balances and holding politicians accountable for their actions. Luciani (2005), one of the leading proponents of the rentier state theory, explains the different effect of oil revenues in Venezuela and Norway by the fact that these countries gained access to oil monies after they became democracies.

Further, regardless of whether Przeworski *et al.* (1997; 2000) are right with their explanation of the economic development-democracy link or whether Epstein *et al.*'s (2006) critique of their works is valid, one point stands out: Higher levels of income help to sustain an incident of democratization. More specifically, as the students of democracy and democratization have consistently shown, higher levels of income by all means laid the groundwork for a more durable democratic regime. Indeed, if "no democracy fell ever, regardless of everything else, in a country with a per capita income higher than…$6,055"[42] (Przeworski and Limongi 1997, 164), countries with abundant mineral wealth, once they become democracies, have a better chance to sustain it than countries without such resources.

Hypothesis 5-5: A change toward democracy is less likely to fail in countries with large mineral revenues.

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[42] 1985 PPP USD.

CHAPTER VI

RESEARCH DESIGN AND MODEL SPECIFICATION

Introduction

As noted in the previous chapter dichotomous measures of democracy fail to

distinguish between regimes with considerable popular elements and those without. The

main focus of this study to tease out the dynamic of interactions between politically

important groups in a society: That is, what accounts for a polity achieving greater

participation (addressed in the previous chapter) and what factors influence the durability

of such changes toward democracy. The *unit of analysis*, therefore, in this chapter, is the

episode of change toward democracy (CTD). The analysis of the duration of CTDs

necessarily includes only those cases that have had a considerable change toward

democracy (CTD). Toward this end I analyze all CTDs that occurred between the 1960-

1999 period. For both theoretical and practical reasons, the sample excludes the

established Western democracies that did not experience a CTD within the time frame

under analysis. From a theoretical point of view it is less useful to examine these mature

democracies due to because (1) their long democratic history might have masked

important insights and changed the relationship between the variables of interests; (2)

sustained high levels of economic development in Western European and North

American democracies make it harder to identify the casual link between several

variables used in this study (i.e., oil, economic inequality) and the outcome variable,

duration of a democratic regime; and more importantly (3) none of these democratic

regimes has had a considerable regime change since the 1960s. Only those that experienced a CTD, such as Spain, Portugal, and Greece, are included in the sample. The data were available for 79 cases for the period under analysis. The second reason is more practical: The data needed to test the propositions are available for only post-1960 period.

<div align="center">Dependent Variable</div>

The outcome variable is the duration, in years, of an incident of democratization. Using the Polity IV data, I define the episode of *change toward democracy* as at least a three-point positive change in the Polity score over a period of three years or less. The event fails (ends) when that country experiences at least a three-point negative change in its Polity score or when the central political authority collapses. For the period under analysis the data were available for 79 CTDs for 55 countries. Of these 79 cases 20 of them failed within the time frame. Examples of how the duration of an incident of democracy is operationalized are provided in Table 6-1.

Table 6-1. Operationalization of the dependent variable (change toward democracy).

Country Name	Year	Change in the Polity Score	Regime "Shift"*	Failed?/Year
Guatemala	1996	5 points (+3 to +8)	Yes	Right Censored
Algeria	1989	7 points (-9 to –2)	No	Yes/1992
Turkey	1961	5 points (+4 to +9)	Yes	Yes/1971

*Regime "shift" is defined as a change from "autocracy" to a "partial democracy" or a "full democracy", or a change from "partial democracy" to a "full democracy" (Polity IV Project: Dataset Users' Manual: 34).

<div align="center">Independent Variables</div>

A set of the covariates was employed to model the relationship between the duration of an incident of democratization and social and economic transformation. In

addition to *manufactures exports, agricultural raw materials exports,* and *fuel* and *ores and metals exports,* as percentages of merchandise exports, and *income inequality* variables, I identified a variable to distinguish between events that were led or primarily influenced by the elites and those were not.

Elites and Democratic Survival: Democratization is an ongoing struggle between those who occupy the upper echelons of a social order and those who are at the lower levels of the order. Although there is no clear boundary between the upper and lower levels of a social order, in most societies there exists an informal yet important division between elites and non-elites.

How can one then identify who are elites and what groups comprise non-elites? Juan Linz's (1978) initial typology identifies two modes of transitions: *Reforma* - a transition in which incumbents take the lead - and *ruptura* - a transition that follows the collapse of an authoritarian regime as a result of challenges initiated by the lower classes. In some cases an incident of democratization might come about as a result of both upper and lower classes involvement (a process Huntington calls *transplacement* and also referred to *pacted*). However, as Huntington (1991-1992) has put it, the line between "transformations" where "those in power in the authoritarian regime take the lead" (p. 590), and "transplacements" where democratization is brought about as a function of "combined actions of government and opposition" (p. 608) is "fuzzy and some cases might be legitimately classified in either category" (p. 591).

In this study, the primary element that defines non-elites is being a new social actor and raising demands for having a say in the decision-making process. Therefore, the

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opposition can be a leftist organization, a nationalist group, labor, peasants, bourgeoisie, or an ethnic/religious group. Such conceptualization requires, first, starting with an already established socio-political structure. After power is consolidated within a system, some will find themselves at the upper levels of the social order, whereas other groups will occupy lower strata. Over time interactions between upper and lower groups will generate some new social groups with demands for participation. What is important is that once a social and political power structure is established what determines the outcome of interactions between upper and lower levels of the structure.

Second, this conceptualization also requires going beyond the conventional division between incumbent and opposition groups. Elites are groups or persons who can "affect national political outcomes regularly and substantially" (Burton *et al*. 1992, 8). The incumbency position does not necessarily mean the power to produce "regular" and "substantial" political outcomes. The prominent role played by the elites does not suggest a static and irreversible hierarchy. Groups that occupy the lower levels of a social order might replace the elites over time. Once new elites consolidate their power and position within the system, new social actors with new demands will arise, and the ongoing struggle for power sharing will start again. The principal rule for power consolidation and becoming elites in the social order is whether the lower classes that took over the system are able to subdue challenges from within.

The victory of lower classes (opposition) against the Iranian traditional elites in 1979, for example, has been consolidated, and demands from new social actors for a say in the decision-making can be treated as a conflict between the new elites and new non-

elites. Therefore, the change toward wider participation in 1982 in Iran is treated as a

lower class-led change, whereas the change in 1996 is considered an elite-led change. By

contrast, the lower classes in Nicaragua, led by the FSLN, designed and implemented two

CTDs in 1981 and 1984 following their victory against the elites. Nonetheless, they were

not able to consolidate their victory and had to make concessions to a new challenge to

their power less than a decade later. Although, as the incumbents the FSLN initiated and

designed the 1981 and 1984 CTDs, I have coded these changes as lower classes-led

changes.

Obviously, identifying the key actor(s) behind an episode is not an easy task.

However, for analytical purposes one can locate the two broadly defined groups, elites

and opposition (non-elites), along a continuum in terms of their relative impact on the

formation and design of the change (see, for instance, Huntington 1991-1992, 583). To

capture the elites' role in sustaining an incident of democratization I defined a

dichotomous variable equal 1 for cases primarily led by the elites and 0 for those in

which the upper classes were excluded from designing the new regime.[43] The lower

classes will definitely have some influence on the process. The crucial point, however, is

whether the CTD was predominantly designed and controlled by the elites. To give an

example, the two democratic openings in Taiwan in 1987 and 1992 were affected by the

opposition forces' demands, yet they were designed, introduced, and controlled by the

ruling elites (see, for instance, Huntington 1991-1992; Pang 1992; Lin 1998).

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[43] Countries that came into being as a democracy within the time-period under analysis, 1960-1999 (e.g., Nigeria, and Trinidad and Tobago), were treated as elite-led democracies. Excluding these countries from the analysis yielded substantially the same results.

Where the elites fail to provide a road map or an exit strategy (e.g., Guatemala 1944, Argentina 1983) the *change* is most likely to be dominated by the non-elites and often accompanied by drastic redistributive economic policies (e.g., Nicaragua 1981; Spain 1931). CTDs led by lower classes are often identified with drastic redistributive policies, which may or may not be a consequence a social revolution. The Spanish democratization in 1931, for instance, constitutes a paradigmatic example. The victory of the Republicans and Socialists in the 1931 elections, which culminated in an 11-point increase on the Polity scale (from –6 to 7), was followed by dramatic political and economic events. On the one hand, regular elections with universal suffrage were introduced. On the other, the king was convicted of treason and his lands along with those of the Catholic Church and aristocracy were confiscated and redistributed (Higley and Burton 2006, 60).[44]

Identifying the extent to which the elites were involved in a CTD is a daunting task, but numerous scholars have provided us with an in-depth analysis of a substantial number of democratization events. Collier (1999), for instance, in her *Paths Toward Democracy,* provides an excellent discussion of historical and recent democratization in Western Europe and South America with respect to the role of middle class and labor. Huntington (1991-1992), on the other hand, explains how more than thirty countries became democracies between 1974-1990, a period he calls the third wave of democratization. Further, Higley and Burton's (2006) *Elite Foundations of Liberal Democracy*, Booth *et al.*'s (2006) *Understanding Central America*, and Yashar's (1997)

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[44] The king left the country following the election results.

Demanding Democracy: Reform and Reaction in Costa Rica and Guatemala, 1870-1950s

were consulted to decide whether elites were alienated and excluded from the process of

change. Where such studies were not available I primarily relied on Stearns' (2001) *The*

Encyclopedia of World History to code the elite involvement variable. For the list of

cases see Appendix.

<div align="center">Control Variables</div>

In addition to the control variables that were used in the previous analyses (GDP

per capita, illiteracy rate, ethnic and religious fractionalization, percent Muslim, and

population), other controls are needed because survival models are employed.

First, some countries have experienced more than one CTD between 1960 and

1999. The past democratic experiences are likely to influence the longevity of a new

democratic opening. A country might learn from its previous experiences, making the

new CTD less likely to fail. On the other hand, the same country might become more

fragile as a function of its previous failures and thus become more vulnerable to another

failure. A person with previous heart attacks is more likely to experience another one

relative to someone with no such medical history. The main issue is whether the

subsequent failure events are of the same kind as the previous ones (Cleves *et al*. 2002,

40). In this study, each CTD is assumed to have the same hazard of failure; that is, the

clock gets reset for every event. Nonetheless, treating these observations as if they are

independent from each other might be misleading (Steffensmeier and Jones 2004, 155).

To mitigate this problem I employed two variables. First, a count variable was

generated to identify the number of CTDs a country has experienced to that point.

Second, some countries have experienced consecutive events, where one CTD follows another one without a failure. To give an example, consider the change in the Guatemalan political system that culminated in a CTD in 1986: The Polity score for Guatemala increased by seven points (from –6 to +3). The system, however, experienced another improvement in 1996 by moving from +3 to +8 on the Polity2 scale without experiencing a failure. I argue that the second event should be treated as a new episode of *change* since the rules of the political game underwent important alterations. However, it is likely that the odds of failure for a CTD that comes after another one will be lower than a CTD without such previous experience. A dichotomous variable was generated to deal with this issue.[45]

Third, as discussed earlier, the change from say –10 to –2 might be qualitatively different than and an event that involves a shift in regime. To control for this, I defined three dichotomous variables for cases that experienced a 3-point (event type 1), a 3-5 point (event type 2), and 6 points and greater (event type 3) increase, respectively, in their Polity scores.[46] Likewise, a variable was defined to control for cases that had a regime shift: If a CTD involves a regime shift from autocracy (-10,0) to a partial democracy (1,6)

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[45] The semi-parametric Cox model enables a researcher to control for this by using the "strata" option: This option allows the hazard rate vary by event number (see, Steffensmeier and Jones 2004, 162). The Cox model, however, yielded similar results.

[46] Using the Polity IV measures of regime change produced very similar results. The Polity data set identifies three changes toward democracy. Cases that experienced at least a 3-point increase on the Polity scale without a "shift" are identified as "positive regime change" and are coded as "1", cases that experienced 3 to 5 points increase with a "shift" are classified as "minor regime change" and are coded as "2", and those that experienced an increase of 6 points or greater are identified as "major regime change" and are coded as "3" (see Polity IV Project: Dataset Users' Manual, pp. 28, 34, 35).

or a full democracy (7,10) or a change from partial democracy to a full democracy a value of 1 was assigned to it, 0 otherwise.[47]

Method

Survival analysis is employed to analyze what accounts for the duration of an incident of democratization. Survival analysis allows one to analyze the time until an event occurs (Cleves *et al*. 2002). In this study the event (failure) is defined as at least a three-point negative change in the Polity score. A nation first has to experience CTD to enter the data set. Then failure occurs as a three-point drop in its Polity score or the collapse of the central government.

There are two main advantages of using a survival analysis. First, it enables a researcher to control for the subjects that are not observed long enough to experience the event or to distinguish between cases that fail and those that are not observed long enough to fail within a given time period (Cleves *et al*. 2002; Box-Steffensmeier and Jones 2004). Second, the presence of the time component in survival data poses a serious challenge to use of linear regression. The assumed normality of the residuals in OLS is "unreasonable" for many events (Cleves *et al*. 2002, 2).

The choice of a survival model is conditioned by whether a researcher has a theoretical reason to expect that the baseline hazard will follow a certain shape. Parametric models are appropriate when a researcher has an idea of what the baseline hazard looks like. If, however, a researcher does not want to place any restrictions on the

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[47] I would like to thank Idean Salehyan for drawing my attention to this point.

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shape of the hazard, the semi-parametric Cox regression is more appropriate to analyze the survival data (Cleves *et al*. 2002, 186).

Of the parametric survival models, the Weibull regression can produce a variety of monotonic hazard rates. It can provide monotonically increasing, decreasing, or flat shapes of the hazard function. The Log-Normal and Log-Logistic models, on the other hand, allow for non-monotonic hazards. The Cox regression, as an alternative to fully parametric models, does not place any restriction on the distributional form of the duration time, thus leaving the baseline hazard unspecified (Cleves at al. 2002; Box-Steffensmeier and Jones 2004).

Theoretically, one can argue that the hazard rate for a CTD is more likely to follow a certain shape rather than being unknown. An incident of democratization might face a higher (or lower) probability of failure in the early periods than in the later periods, or the hazard might increase (or decrease) over time. As Gates *et al*. (2006, 899) put it, "political entrepreneurs are not going to construct a system of government that is expected to fail immediately. The implication is that…the hazard function would be expected to be nonmonotonic, such that the hazard of regime collapse initially increases and then, as consolidation mechanisms come into play, the hazard declines." That is, in the early years the hazard will be low/high, then it will increase/decrease, and finally it will flatten at some point. Imagine the response of elites to a CTD: If they do not support the change, it is more likely that they will wait for some time to see how the new rules of the game influence their interests. After a certain time period, the conflict between pro- and anti-regime groups will intensify. This conflict will either result in the regime's

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victory or the CTD will end. In any case, the hazard in the beginning will be low, then high, and then will become stable after the conflict ceases.

Royston (2001) proposes that parametric proportional modeling be used to better capture the baseline hazard. This model, Royston (2001, 27) explains, "can throw light on additional important aspects of the data, aspects the Cox model is not designed to function." The starting point for Royston's parametric proportional modeling is the conception that the shape of the baseline hazard may not be proportional (the assumption that the Cox regression makes) or monotonic (the assumption the Weibull regression makes). However, since the hazard function can, in many instances, be of primary interest, leaving it unspecified or putting some restrictions on it might lead to omission of important aspects of the data.[48]

Royston's model provides a close look at the baseline hazard, which is extremely useful when one's fundamental interest is to model the baseline hazard.[49] However, it is more suitable for situations where the data are divided into some categories or groups and a researcher seeks to analyze how the shape of the hazard varies over time with regard to each group.[50] When not the shape of the hazard but rather the effect of each covariate on

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[48] I would like to thank Ko Maeda for drawing my attention to this model. Royston applies this model to medical research. For an excellent application in political science, see Maeda and Nishikawa (2006). They analyze the duration of party control in parliamentary and presidential systems and find that these two systems of democratic governance produce different patterns of survival.

[49] Using a parametric proportional model one can check for the shape of the baseline hazard. I plotted the effect of "elite support" variable by changing this variable from "0" to "1" while holding all other continuous variables at their mean values and dichotomous variables at "0". The baseline hazard showed dramatic changes when elite involvement is set equal to "0". The hazard showed a sharp increase for the first few years then a decline and then flattening at about year 10. The shape when elite involvement is 1, however, was more stable and approximately monotonic.

[50] The example that Royston provides consists a sample of 686 node-positive breast cancer patients. The sample is divided into three groups - Good, Medium, Poor - by taking into account "the patient's age, number of positive lymph nodes (a number that is positively and strongly associated with a poor

the outcome variable is of fundamental interest, using a parametric and/or semi-parametric model is more appropriate (see Box-Steffensmeier and Jones 2004, 90-93). Since the primary concern of this study is to measure the effect of covariates on the hazard, the method proposed by Royston is used for diagnostic purposes only.

In addition to the theoretical expectation, parametric models are more likely to produce more efficient estimates since they exploit all the information (Cleves *et al*. 2002, 180). This point becomes more important when the data contain time-varying covariates. The Cox regression, for instance, ignores the variation in the time-varying variables (increases or decreases in the level of variables) given that the subject has survived the variation and no other failure occurred within the interval. Parametric models, however, control for such variation regardless of whether other failures occurred in the same interval (For a detailed discussion, see Cleves *et al* 2002, 182).

The sample used in this study contains several time-varying covariates. That is, the values for most of the variables can change from year to year during the CTD episode. In addition to the theoretical argument made above regarding the shape of the hazard, due to the presence of several time varying covariates, one can argue that the either log-normal/logistic or Weibull regression is more appropriate to analyze the data. One way to choose among the parametric models is to look at the Akaike Information Criterion (AIC) and/or Bayesian Schwarz Criterion (BSC) values. The model that produces the lowest scores is the *best* at analyzing the data (see, for instance, Box-

prognosis), the tumor grade, the tumor progesterone receptor status, and whether the patient has received hormonal treatment." (2001, 6). Then a dummy variable is assigned to each group and the data (each group) is compared and analyzed using parametric proportional model. The main conclusion is that the hazard is indeed flexible and varies with time, a finding that would not be captured by using Cox and/or Weibull regressions.

Steffensmeier and Jones 2004). The data were analyzed using Weibull, log-normal, log-logistic, and exponential regressions. The AIC and BSC values are reported in Table 6-2.

Table 6-2. AIC and BIC for four parametric models.

Model	AIC	BSC
Weibull	79.67	161.87
Log-Normal	79.96	162.16
Log-Logistic	79.24	161.44
Exponential	95.76	173.63

The log-logistic model seems to better fit the data. These results confirm the theoretical expectation that the hazard rate is more likely to be nonmonotonic (e.g., low in the early years, then increases, and flattens out as time passes). The difference between the AIC and BSC values obtained from the Weibull model and the log-logistic model, however, is rather small. Given that the hazard might also follow a monotonic shape (i.e., decline over time), I employed both log-logistic and Weibull parametric models to analyze the data. If the model is correctly specified, the semiparametric Cox and parametric regressions should produce very similar estimates. The Cox regression was employed to check the robustness of the findings and substantially the same results were obtained (not reported).

Since most of the independent variables are time varying, their values at time t are most likely to be conditioned by their values at t_{-1}. To deal with the temporal dependency problem and avoid over-confident p-values I used robust standard errors to adjust for clustering over the same country (see Box-Steffensmeier and Jones 2004, 131-133). As mentioned earlier, to confront the simultaneity problem between the covariates and the outcome variable, the percent of agriculture, minerals, manufactures, and fuel in total

exports, the income inequality, the GDP pc, the illiteracy rate, and the population variables were lagged one year. The GDP pc and population variables were logged to eliminate statistical (i.e., skewness) and computational issues.[51]

Analysis

Higher levels of democracy and the survival of a *change toward democracy* are conditioned by a society's source of wealth, on the one hand, and by whether or not such change is initiated by established elites, on the other. When lower classes gain power without directly threatening the upper classes' position within the system, demands for power sharing and participation are more likely to be accommodated. The odds for not only having a higher level of democracy but also a more sustainable one are conditioned by whether a society has undergone a social and economic transformation through which the opportunities for upward mobility are expanded and such mobility is no longer a direct threat to those occupying the upper echelons of the social and political structure.

To test for the relationship between the durability of a democratic incident and socioeconomic transformation, I conducted a series of survival models. The statistical results are reported in Table 6-3.

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[51] The estimation without lagging these variables yields substantially similar results.

Table 6-3. Economic transformation, elite involvement, and sustainable change toward democracy, 1960-1999.

	Log-Logistic Regression	Weibull Regression
Manufactures Export (%)	.02**	.92***
	[.011]	[.03]
Agricultural Export (%)	-.008	1.01
	[.01]	[.03]
Fuel Export (%)	.03***	.92***
	[.01]	[.02]
Minerals Export (%)	-.008	1.006
	[.01]	[.01]
Income Inequality	.11**	.79***
	[.05]	[.05]
Elite Involvement	.34**	.57
	[.19]	[.44]
GDP per capita (logged)	.42	.53
	[.32]	[.51]
Illiteracy Rate	-.03**	1.04
	[.01]	[.03]
Ethnic Fractionalization	-1.03	13.53*
	[.85]	[19.90]
Religious	1.5**	08
Fractionalization	[.67]	[.13]
Population (logged)	-.67***	5.85***
	[.19]	[2.30]
Muslim (%)	.00007	1.01
	[.005]	[.01]
Consecutive *ctd*	1.64***	.14
	[.55]	[.17]
Type 2	2.08***	.012***
	[.46]	[.019]
Type 3	-.77***	31.85**
	[.30]	[52.58]
Shift	.006	.50
	[.39]	[.45]
Event Count	.25**	.43**
	[.13]	[.18]
Scale Parameter	.27	2.7
Observation	559	559
Number of Subjects	79	79

Note: The entries for Weibull and Log-Logistic Models are hazards ratios and accelerated survival time, respectively. Robust standard errors are in brackets.
***significant at 1% level; **significant at 5% level; *significant at 10% level. The significance levels are based on one-tailed test for the independent variables. All others are two-tailed.

The results from log-logistic regression (Column 1 in Table 6-3) are reported in accelerated survival time. Therefore a positive coefficient indicates that the variable increases the survival time, whereas a negative sign indicates shorter duration. The estimation using Weibull regression (Column 2 in Table 6-3), however, is reported in hazard ratios: A coefficient less than one indicates a positive relationship (prolongs duration) between a variable and the duration of a CTD, whereas a coefficient greater than one indicates a negative relationship (shortens duration).

The results from log-logistic and Weibull regressions not only provide support for the argument but also pose a challenge to the current findings on the relationship between democratic survival and economic development. The value of the scale parameters from log-logistic model, .27, confirms the theoretical expectation regarding the shape of the hazards: A value less than 1 suggests that the hazard rate first rises then begins to decline (see Box-Steffensmeier and Jones 2004, 36).

Notice that the log-logistic results are in accelerated survival time. However, they can be converted back to the hazard ratios by flipping the sign of the of the scale parameter, multiplying it with the coefficient, and then exponentiating this value (see Cleves *et al*. 2002, 187). Consider the effect of the elite involvement variable on the survival of an incident of democratization. The positive coefficient indicates that this variable increases the survival time for a CTD. The effect is equal to .91 [(exp(-.27*.34)] in terms of the hazard ratio: The elite support decreases the risk of a democratic failure by 9 percent. This effect becomes more visible in Graph 2. The graph was produced by allowing the Elite Support variable to vary from 0 to 1 while holding other variables

constant. The cumulative hazard, as displayed in Graph 6-1, is much steeper when elites

are excluded from the new regime (i.e., democratization); indicating the crucial role elites

play in sustaining a democratic opening.

Figure 6-1. The effect of elite involvement, 1960-1999.
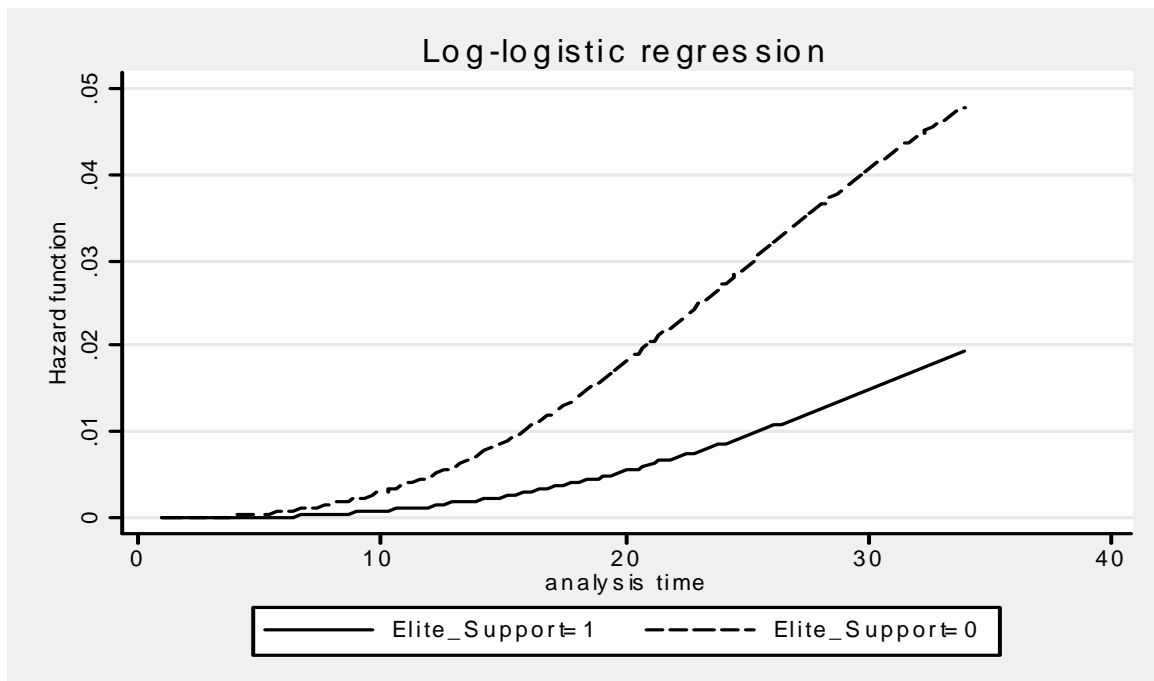
Of the proxies that were used to measure the relationship between economic

transformation and sustainability of an incident of democratization manufactures exports

clearly produce longer duration. Likewise, oil exports and economic inequality, as

hypothesized, prolong a change toward democracy. These results are robust across the

models.

The Weibull regression results suggest that manufacturing exports decreases the

probability of failure by 8 percent: Every 1 percent increase in manufactures exports

decreases the odds of democratic failure by 8 percent. To provide a more visual

representation, the effect of varying levels of manufactures exports was graphed[52] by

hypothetically setting the variable at 30, 60, and 90 percents while holding other

variables at their means.

Figure 6-2. The effect of manufactures exports (at 30, 60, and 90 percents), 1960-1999.
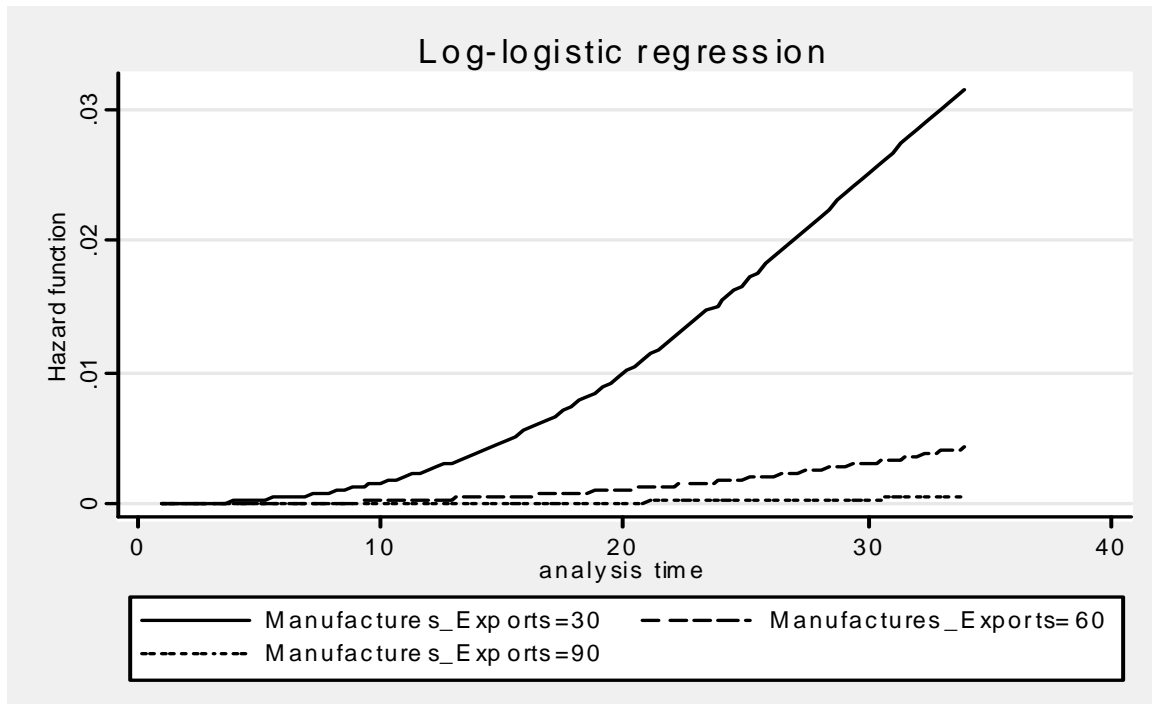
As shown in Figure 6-2, as the manufactures exports raises from 30 percent to 90

percent of total merchandise exports, the odds of a democratic breakdown (i.e., failure)

substantially decline. Although the measure of increased wealth, the GDP pc, decreases

the odds of failure, it is not significant at the 90 percent or better confidence level. This

finding suggest that it is not increasing wealth *per se* that helps a democratic opening

sustain, but rather it is a specific type of economic development that lays the groundwork

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[52] The Figures 6-1, 6-2, and 6-3 show the cumulative hazards obtained from using Log-logistic regression.

for upward mobility and reduction of threat directed to the established elites' position within the system.

The finding on fuel exports is striking. After a country experiences a CTD, every 1 percent increase in its fuel exports decreases the odds of failure by almost 9 percent. This is contrary to current findings on the relationship between oil and democratic survival. Even if the current theoretical arguments and empirical findings regarding the relationship between abundant oil-revenues and democratization are true, this finding suggests that once a country passes a certain threshold (i.e., once a change toward more inclusive governance occurs) abundant oil-revenues can become a blessing rather than a *curse*. The effect of oil exports is graphed in Figure 6-3 by allowing this variable taking values 30, 60, and 90 percent of total exports while holding other variables in the model constant (i.e., at their means). This graph further clarifies how an increase in oil exports dampens the odds of an authoritarian backlash.

Figure 6-3. The effect of fuel exports (at 30, 60, 90 percents), 1960-1999.
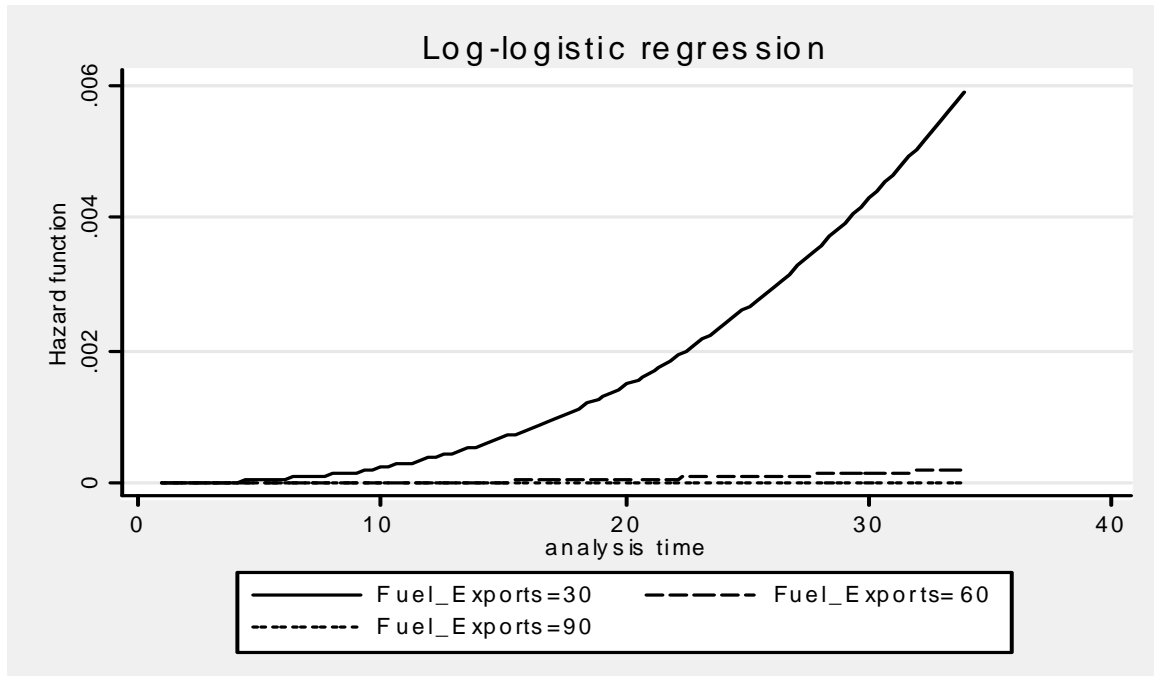
This finding not only supports the hypothesis #7, it also poses an important

challenge to the current literature regarding the link between oil-wealth and democracy.

How can one explain this? A cursory analysis of authoritarian backlashes reveals that

economic crises account for most of the democratic failures. The mean GDP pc for

observations that experienced a failure, for instance, was $1,762, with a standard

deviation of $.81, (versus a mean of $4,321, with a standard deviation of $2,556 for those

did not have a failure) and as shown in Table 6-4 only 2 of the 20 cases that failed were

oil-rich countries.[53]

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[53] To eliminate a possible multicollinearity problem between the "fuel" and "GDP pc" variables, I
conducted the analyses without the latter variable and obtained similar results.

Table 6-4. The failed cases, 1960-1999.

Country Name	Year	GDP pc ($)	Oil (% exports)
Algeria	1992	2,719	95.85
Bangladesh	1975	957	.09
Bolivia	1980	2,044	23.66
Burkina Faso	1980	457	.11
Ecuador	1961	1,961	18.36
El Salvador	1977	2,244	.68
Ghana	1972	942	.81
Ghana	1981	936	12.31
Guatemala	1974	226	.07
Nigeria	1984	1,068	95.15
Pakistan	1977	969	4.29
Peru	1992	2,092	6.47
South Korea	1972	1,845	1.12
Thailand	1971	1,483	.82
Thailand	1976	1,779	.02
Thailand	1991	3,756	1
Turkey	1971	2,368	.44
Turkey	1980	2,955	1.43
Uganda	1969	653	.55*
Zambia	1972	1,185	.06
Zimbabwe	1983	1,364	.05

*This value is for year 1980.

Could this be a fluke or an artifact stemming from a selection bias? That is, one could argue that oil-abundant countries are less likely to make a transition to wider participation in the first place; if they do they are less likely to fail. It is worthwhile to note, however, that the number of cases that have survived or not experienced a democratic breakdown is far more than a few. Besides the observation that only 2 cases of the 20 failures were oil-rich countries, Table 6-5 demonstrates that, of the remaining cases that have survived, 14 have substantial oil revenues.

Table 6-5. Oil-rich democratic regimes that have not failed, 1960-1999.

Country Name	Year Begin
Algeria	1995
Bolivia	1982
Cameroon	1992
Ecuador	1979
Iran	1982
Iran	1997
Malaysia	1971
Mexico	1977
Mexico	1988
Nigeria	1999
Russia	1992
Trinidad and Tobago	1962
Venezuela	1958
Venezuela	1969

It should be noted that despite a strong expectation of a negative relationship between oil- wealth, as a *fixed asset*, and transition to and survival of a democratic regime, Boix (2003) fails to find any statistically significant relationship for his proposition that abundant oil-wealth increases the odds of a democratic breakdown. On the contrary, he notes (2003, 86) that none of the oil-rich democracies that were included in his sample (i.e., Norway, Trinidad and Tobago, and Venezuela) has experienced a failure. He concludes "with such low number of cases, any conclusions about the impact of oil on an authoritarian backlash can only be tentative."

Although I emphasize the effect of fuel revenues on democratization (i.e., exclude natural resources such as diamonds) the evidence from perhaps the most stable and democratic regime in Africa, Botswana,[54] strengthens the positive effect of the oil-

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[54] Botswana has been a democracy since its independence in 1966 and as of 2003 it has a value of 9 on the Polity IV composite measure of democracy that ranges from –10 to +10.

wealth, as a natural resource, on the survival of democracy. As noted earlier, "…plentiful diamond lodes that have yielded large export revenues" have played a significant positive role to "*placate* competing elites and their supporters and help keep politics peaceful" (Higley and Burton 2006, 129, emphasis added). This conclusion is in accordance with the argument made above: Large resource wealth can provide enough revenues to meet the social demands, thereby reducing the odds of a democratic collapse. The sign of the second measure of the strength of mineral economy, non-fuel minerals, is in the expected direction and confirms the coefficient on the fuel variable. This effect, however, is not discernible from zero.

The findings from this study confirm Boix's and others' (e.g., Luciani 1987; Ross 2001) findings on the link between a mineral economy and transition to democracy (i.e., a mineral economy blocks a transition to wider participation by providing a mix of positive and negative incentives for the members of a society). However, it also clearly indicates that there is a strong need for going beyond the prevalent view on the relationship between oil-wealth and democratization and to question the categorical denial of any positive relationship between mineral-wealth and democracy. In the line with Przeworski *et al*.'s (1997; 2000) and Collier's (1999) works, this study strengthens the proposition that the dynamics of transition to and survival of an incident of democratization are different. Differently put, once a country takes an important step toward wider participation, abundant mineral-revenues (i.e., oil-revenues) substantially decreases the risk of an authoritarian backlash by providing large revenues for the members of a society.

Likewise, the coefficient on the economic inequality variable is statistically and substantially significant and contrary to the current findings, suggests a positive relationship between sustaining a democratic regime and higher levels of inequality. Recall this variable can hypothetically range from 0 (most equal) to 100 (least equal). Therefore, higher values indicate higher levels of inequality: The larger the gap between the poor and the rich, the more likely a democratic regime will survive. The Weibull regression coefficient suggests that for every one-unit increase in inequality, the odds for a democratic failure are reduced by 21 percent.[55]

This finding indicates that the gap between upper and lower classes is not an obstacle to the survival of a CTD as long as the socio-economic structure provides alternative avenues to power and it is perceived as just and legitimate. As Bollen and Jackman have aptly stated regarding the assumption that inequality undermines the legitimacy of a regime, "…to have such an effect, inequality has to be perceived as unjust, and there is no reason to believe that inequality automatically generates perceptions of inequity." They continue, "even in the presence of high inequality, regimes can maintain a degree of legitimacy by invoking other political symbols – for example, those that appeal to nationalists sentiments" (Bollen and Jackman 1985, 440, 452; also see Bollen and Jackman 1995) (1985, 452).

Further, the narrower discrepancy between upper and lower classes in developed (i.e., democratic) countries does not necessarily indicate that lower classes impose re-distributive policies on the rich, as the proponents of the inequality-democracy nexus

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[55] Using Vanhanen's (2003) "family farms" variable as an indicator of inequality yielded very similar results.

argue. On the contrary, as noted earlier, a narrower gap "…has been facilitated by the over-all increase of national income…not so much by reduction of the income of the relatively rich as by the faster growth of the income of the relatively poor" Lipset (1960, 64).

This finding, with the finding on the Elite Support variable, shows that the support of the established elites for an incident of democratization is vital to the CTD's survival. Over time, established elites may or may not lose their privileges. However, if their status is threatened during the transition period (i.e., they are not a part of the new regime) power imbalances between the rich and the poor will result in a conflict in which the rich are more likely to prevail. Lipset notes (1960, 79) where traditional elite was excluded from the new regime they have sometimes continued for generations to reject legitimacy of the new regime.[56] Lipset (ibid.) argues that the crisis of legitimacy might have severe consequences for the durability of the emerging regime: One of the main sources of the legitimacy of the new regime lies in the "the continuity of important traditional integrative institutions during a transitional period."

The case of Botswana not only provides evidence for the positive effects of mineral wealth in democratic regime but also imply other important dimensions of democratic survival. It is worth noting that Botswana is one of the most unequal countries in the world: "…assets (primarily cattle) and income [inequality] is extremely high in Botswana, indeed as high as in South Africa and on a par with Latin American countries such as Brazil and Colombia. Comprehensive data on inequality in Botswana was

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[56] Regarding the role of traditional elites on sustaining a democracy, Lipset points that ten out of twelve European and English-speaking democracies monarchies.

collected in 1985-86 and 1993-94 and suggest a Gini coefficient of 0.56 and 0.54 for the two periods" (Acemoglu *et al.* 2003, 85). High levels of inequality, by themselves do not explain much. Inequalities provide a good proxy for the leverage powerful actors have in the system. That is, the link between higher levels of economic inequalities and democratic survival is elites. To the extent a democratic regime does not threaten the upper classes' position on the social ladder (in other words to the extent it benefits them) they will abide by the rules of the game. In Botswana "the primary beneficiaries of government policy in the areas of economic and rural development have been the organizational elites, bureaucratic, professional, and political, *who dominate the system*" (Picard (1987, 264, emphasis added).

Of the control variables, GDP per capita is weakly significant (*p*-value=.18, two-tail) in log-logistic model and increases the survival time. As expected, higher levels of illiteracy increase the odds of failure, yet this effect is discernible only in Model 1. The effects of the ethnic and religious fragmentation variables are not robust across models: Religious fractionalization seems to increase survival time in log-logistic model whereas ethnic fractionalization increases the odds of failure in Weibull model. Countries with large populations are much more likely to experience a failure than countries with smaller populations. This effect is robust in both models and provides evidence for the argument that a large population reduces the number of alternative paths for upward mobility, which in turn leads to conflict among the members of a society and the collapse of the regime. The results show some support for the consecutive CTD variable, which is further strengthened by the finding on the Event Count variable: A democratic incident

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that follows a previous improvement has a higher probability of survival and countries with prior democratic histories are less likely to fail. The Type 3 change (an increase of six points or grater on the Polity scale) seems to be the most fragile change. As compared to Type 1 (an increase of three points on the Polity scale) change (the base category), a dramatic increase on the polity scale substantially increases the odds of failure. The Type 2 change (an increase of three-five points on the Polity scale), on the other hand, helps prolong a CTD. Combined with the findings on the previous CTD and Event Count variables, the results suggest important policy implications for the gradual nature of democratization. Democratic changes that involve a dramatic increase on the Polity scale (e.g., a change from –3 to 5) are more likely to fail than those involve relatively speaking a smaller increase (e.g., from –3 to 2). Finally, being a predominantly Muslim country does not increase the odds of failure: A country with a predominantly Muslim population is no more likely to experience a failure than a country with little or no Muslim population. Muslim countries that have experienced a change toward democracy (e.g., Turkey, Indonesia, Jordan, Algeria) have been able to sustain their regimes.

<div align="center">Conclusion</div>

This study started with a puzzle: Under what conditions does a society become more democratic, allowing previously disfranchised groups to become a part of the decision-making body, and what accounts for the sustainability of such a change? Building upon previous studies I argue that the causal relationship between economic development and democratization is not necessarily a function of increased wealth. The relationship between an increase in wealth and democratization is conditioned by whether

such an increase provides alternative paths for the lower classes to gain strength without threatening the established elites' position within the system. As such, the initiation and sustainability of any substantial change toward power-sharing and democratization becomes a function of two intertwined factors: The nature of wealth that enables lower classes to move upward within the social and political structure, and the degree to which groups that occupy the upper levels of the social ladder are not directly threatened by such movement.

The findings are striking regarding the relationship between the nature of wealth, economic development, elite involvement and democratization. First and foremost, elite involvement is an essential part of democratic survival, and the gap between upper and lower classes can indeed help reduce the odds of failure for a change toward democracy. As such, the findings confirm Burton *et al.*'s (1992) and Higley and Burton's (2006, 1) central proposition regarding the "sine qua non" element in democracies: Elite support.

The relationship between abundant natural resources and democratization is not straightforward. Contrary to the current findings regarding the debilitating effect of abundant natural resources on democratization, the fuel export variable suggest that once a country passes a certain threshold, this effect becomes positive. That is, abundant oil-revenues help to sustain a change toward democracy. The insignificant relationship between mineral and agricultural exports suggest that the dynamics of democratic survival might be very different than the dynamics of transition.

CHAPTER VII

CONCLUDING REMARKS

The theory I have proposed in this study to determine the genesis of regime

transition in general and of democracy in particular emphasizes the role of elites in the

transition to and survival of democratizing changes. It links their role to the

socioeconomic structure of the nation. As such it contributes to the current literature by

clarifying the casual mechanisms at play in democratizing changes. This study clearly

shows that, contrary to the proponents of structural theories of democracy, neither a

specific social class (i.e., bourgeoisie, labor) nor economic equalities account for the

establishment of democratic regimes. Rather, whether a class will become an agent of

stagnation or change (i.e., whether it will block a change toward wider participation or

push for it) is closely associated with its position on the socioeconomic ladder. To the

extent a change threatens a class' position on the ladder, it will try to block the change.

To the extent that a change improves a class' position on the ladder, it will push for it. To

the extent that a class' privileged position is not threatened it will not oppose such

change.

This study has shown that the decision to open the system by allowing previously

excluded segments of a society to have a voice in the system is a function of the nature of

the society's wealth resources. Societies that possess abundant natural resources, as the

proponents of *rentier state* theory contend, tend to opt for exclusionary politics. The

findings from several resource-rich countries and from statistical analyses confirm this

hypothesis. However, the casual linkage between abundant natural resources and

authoritarianism is not precisely due to the source of income. What gives strong incentives to the owners of natural resources for exclusionary politics is not the large revenues obtained from exporting those resources *per se*. Rather it is the nature of those wealth resources that generates a substantial fear of democratization among the owners, thereby reinforcing authoritarian tendencies. The findings lend support to the conclusion reached by Boix (2003) and Jensen and Wantchekon (2004) that abundant natural resource wealth brings about distributional issues and gives the owners of those resources incentives to cling to power at all cost. Not all natural resources, however, have the same impact. The empirical analyses do not support a negative relationship between an agricultural economic structure and democratization. The democratization movements in several countries with large agricultural sectors (e.g., Guatemala, Nicaragua, El Salvador) provide evidence for the possibility of democratization in countries with large agrarian economies. A closer look at regime changes in these countries reveals important insights: The assumed negative relationship between an agrarian economy and democracy is not exactly due to the large agrarian sector but rather to whether elites derive a large portion of their income from the land. This finding strengthens the need to account for the elites' role in the formation of democratic systems of governance. The assumed negative relationship seems to be an artifact of whether elites derive their income primarily from the land itself, an economic structure in which demands from lower classes are more likely to be of a radical nature, thereby generating conflict and exclusionary politics (Paige 1975). As the details from democratization events in countries such as El Salvador and Guatemala illustrate, a change in the elites' interests, such as the transformation of

elites from landowners and growers to exporters and intermediaries (Paige 1997) can pave the way to wider participation. This lends support to the centrality of elites for a substantial change to occur: So long as upper classes do not derive a large amount of their revenues from the land, a strong agrarian economy ceases to be an obstacle to wider participation. It should be noted that the agricultural sector's share in total GDP was about 25 percent in Costa Rica (the most stable and democratic country in Latin America) and Guatemala (the most repressive and unstable regime in the region) in the early 1980s. The Costa Rican elites, however, have not been dependent upon the land as their primary income source.

The most striking finding of this study, however, is that the dynamics of transition to and survival of a democratic regime are quite different. Factors that reduce the chances for greater participation can become important tools to sustain the very same democratizing change if it does occur. More specifically abundant oil revenues, a factor that lowers the prospects for democratization, prolongs the democratic regime once a step is taken toward democracy. Often scholars dismiss any positive effect of oil wealth on democracy. As this study clearly demonstrates, however, the oil effect is not clear-cut. After the introduction of checks and balances following the transition to a more democratic regime, oil wealth helps sustain the regime by "ameliorat[ing] the perverse political incentives" (Robinson *et al*. 2006, 450) associated with oil-wealth and "placat[ing] competing elites and their supporters" (Higley and Burton 2006, 129) by generating large revenues to overcome the economic crises often associated with the breakdown of democratic regimes.

The findings on economic inequality further strengthen the vitality of elite support for a democratic regime to endure. As noted earlier, higher levels of economic inequalities provide a good proxy for the leverage powerful actors have in the system. That is, the linkage between higher levels of economic inequalities and democratic survival is elites. Where economic inequality persists after a change toward democracy, established elites are less threatened by the change to democracy and therefore have less incentive to take steps to reverse that change.

In the light of the findings it is appropriate to end the discussion with a current illustration of their utilities: New democracies. More specifically, what are the prospects for democratic survival in a country like Iraq? The theory and findings on the survival of a democratic system of governance clearly shed light on the future of the fledgling democratic institutions in Iraq, a Muslim country with abundant oil-revenues and a fragmented population. The theory proposed here suggests that ethnic and religious fragmentation or Islamic culture is not in itself an obstacle for a durable democracy. More importantly, however, abundant oil-revenues, as the theory and the findings demonstrate, can help sustain a democratic opening. One point, however, needs to be emphasized. The biggest threat to survival of the new democratic change in Iraq is the exclusion of the elites from the power-sharing mechanism. By and large, the old established elites (the ex-Baathists) are not a part of the new regime. The conceptualization of the elites and lower classes adopted in this study clearly suggests that the former members of the Saddam's governing coalition, despite their replacement with the former non-elites (i.e., Kurds and Shiites), are still the most powerful group

within the country. Put differently, the incumbent groups (Kurds and Shiites) have not consolidated their power against the seemingly deposed ex-Baathists. Therefore, the prospects for a durable democratic regime in Iraq will primarily be conditioned by the incorporation of the established elites (ex-Baathists) into the new regime. Contrary to what perhaps many observers would argue the findings from this study, imply higher chances for the survival of the new regime in Iraq than that of in Afghanistan. To the extent the ex-Baathists are incorporated into new regime, it will have greater chances to survive, due mainly to larger revenues extracted from oil exports. Although the expectation regarding the low chances for a change toward democracy to survive in an agrarian economic structure is not supported by the statistical analyses, extreme poverty, the lack of an industrial economy, high illiteracy rate, and more importantly the failure of the politically important groups' to establish a functioning state structure in Afghanistan pose serious challenges to the new regime.

APPENDIX

CTDs FOR WHICH THE DATA ARE AVAILABLE FOR 1960-1999 PERIOD

Case	Years	Elite Support?	Failed?
Dominican Republic	1979-1984	Yes	Yes
Trinidad and Tobago	1975-	Yes	No
Mexico	1978-1987	Yes	No
Mexico	1988-1996	Yes	No
Mexico	1997-	Yes	No
Guatemala	1972-1974	Yes	Yes
Guatemala	1986-1995	Yes	No
Guatemala	1996-	Yes	No
Honduras	1982-	Yes	No
El Salvador	1971-1977	Yes	Yes
El Salvador	1984-	Yes	No
Nicaragua	1981-1983	No	No
Nicaragua	1984-1990	No	No
Panama	1989-	No	No
Venezuala	1969-	Yes	No
Ecuador	1972-1978	Yes	No
Ecuador	1979-2000	Yes	Yes
Peru	1980-1992	Yes	Yes
Brazil	1988-	Yes	No
Bolivia	1978-1980	Yes	Yes
Bolivia	1982-	Yes	No
Chile	1989-	Yes	No
Argentina	1983-	No	No
Uruguay	1985-	Yes	No
Spain	1978-	Yes	No
Portugal	1976-	No	No
Poland	1991-	Yes	No
Hungary	1990-	Yes	No
Greece	1975-	No	No
Cyprus	1974	Yes	No
Bulgaria	1990-	Yes	No
Moldova	1991-	Yes	No
Romania	1990-1995	Yes	No
Russia	1992-1999	Yes	No
Latvia	1991-	Yes	No
Senegal	1978-1999	Yes	No
Burkina Faso	1970-1977	Yes	No

Burkina Faso	1978-1980	Yes	Yes
Ghana	1970-1972	Yes	Yes
Ghana	1979-1981	Yes	Yes
Cameroon	1992-	Yes	No
Nigeria	1979-1984	Yes	Yes
Central African Republic	1993-2003	Yes	Yes
Kenya	1997-2001	Yes	No
Mozambique	1994-	Yes	No
Zambia	1964-1972	Yes	Yes
Zimbabwe	1970-1983	Yes	Yes
Malawi	1994-	No	No
South Africa	1994-	Yes	No
Mauritius	1968-	Yes	No
Algeria	1989-1992	No	Yes
Algeria	1995-	Yes	No
Tunisia	1987-	Yes	No
Iran	1982-1997	No	No
Turkey	1962-1971	Yes	Yes
Turkey	1973-1980	Yes	Yes
Turkey	1983-	Yes	No
Jordan	1989-	Yes	No
South Korea	1963-1972	Yes	Yes
South Korea	1988-	Yes	No
Pakistan	1973-1977	No	Yes
Pakistan	1985-1987	Yes	No
Pakistan	1988-1999	Yes	Yes
Bangladesh	1972-1975	Yes	Yes
Bangladesh	1978-1982	Yes	Yes
Nepal	1981-1989	Yes	No
Nepal	1990-2002	Yes	Yes
Thailand	1969-1971	Yes	Yes
Thailand	1974-1976	No	Yes
Thailand	1978-1991	Yes	Yes
Thailand	1992-	Yes	No
Malaysia	1971-	Yes	No
Philippines	1983-1986	Yes	No
Philippines	1987-	Yes	No
Papua New GuineA	1975-	Yes	No
Fiji	1970-1987	Yes	Yes
Fiji	1990-	Yes	No

Note: The dates specify the beginning and end of each case. Some cases (e.g., Guatemala 1986-1995) followed by another CTD without experiencing a failure. For some cases the data are not available for the all years. The missing end date indicates that the CTD has not failed within the time period under analysis.

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