

Political Origins of Dictatorship and Democracy. Chapter 1: Introduction

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Abstract

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Many societies are today governed by democratic regimes. Although specific features of these regimes vary considerably, for example, between the presidential French system and the British parliamentary system, or between majoritarian electoral rules as in the United States vs. proportional representation as in much of Continental Europe, there are some very important commonalities: the majority of the population is allowed to vote and express their preferences over policies, and in the last analysis, the government is supposed to represent the preferences of the whole population—or using a common description, “democracy is the government by the people for the people”. In contrast, many other countries are still ruled by dictators and nondemocratic regimes. There are even more stark differences between some of these dictatorships than the differences between democracies. Consider, for example, the contrast between the dictatorship of the Chinese Communist Party and that of General Pinochet in Chile between 1973 and 1989. When we turn to other nondemocratic regimes, such as the very limited constitutional regimes in Europe in the 19th century, the differences are even more marked. Nevertheless, these nondemocratic regimes share one common element: instead of the wishes of the population at large, they represent the preferences of a subgroup of the population. In China, it is mainly the wishes of the Communist Party that matters. In Chile, most decisions were taken by a military junta, and it was their preferences, and perhaps the preferences of certain affluent segments of the society supporting the dictatorship that counted. In Britain before the First Reform Act of 1832, less than 2 percent of the adult population, the very rich and aristocratic segments, were allowed to vote, and policies naturally were catered to their demands.

Why are some countries democratic, while others are ruled by dictatorships or other nondemocratic regimes? Why do many nondemocracies transition into democracy? What determines when and how this transition takes place? And relatedly, why do some democracies, once created, become consolidated and endure, while some others like many of those in Latin America fall prey to coups and revert back to dictatorship?

These are central questions for political science and political economy more generally, but there are neither widely shared answers nor an accepted framework to tackle them. The aim of this book is to develop a framework for analyzing these questions, and in the

process of developing this framework, provide some tentative answers, and outline future areas for research and progress. As part of our investigation, we will first provide an analysis of the role of various political institutions in shaping policies and social choices, emphasizing how politics differs in democratic and nondemocratic regimes. To do so, we will model the attitudes of various different groups towards different policies, and therefore towards the political institutions leading to these policies.

We will base our argument on two premises: first, social choices are inherently conflictual. For example, the relatively rich individuals, for short the rich, dislike redistributive taxation, while relatively poor individuals, for short the poor, are more in favor of taxation that would redistribute resources to them. This conflict over redistributive politics is a central theme of our approach. Second, democratic regimes generally choose policies that are more favorable to the poor than nondemocratic regimes. These two premises together imply that democracy is generally favorable to the poor, and the poor are generally pro-democratic.

Our theory of which societies, and when, will transit from dictatorship to democracy, and under what circumstances democracy will be consolidated, is related to the conflict between the rich and the poor over redistributive politics. These groups will have opposed preferences over different political institutions, for example democracy and dictatorship, which, they recognize, will lead to different amounts of redistribution. However, we also emphasize that political institutions are not simply about different amounts of redistribution, but they also play the role of regulating the future allocation of political power. In democracy, the poor will have more power in the future, because they will participate in the political process, than they would do in nondemocratic regimes.

It is also worth noting that the framework we develop is analytic in nature, so our exposition will emphasize both the concepts that we believe are essential in thinking about democracy and also how these concepts and issues can be formally modeled using game theoretic arguments.

1 Democracy Vs. Nondemocracy

At the outset, we have to be very clear about the precise questions we are going to tackle and the basic building blocks of our approach. In building models of social phenomena, an often useful principle is the so-called Occam's razor. The principle popularized by the 14th-century British philosopher William of Occam is that one should not increase the number of entities required to explain a given phenomenon beyond what is necessary. In other words, one should strive for a high degree of parsimony in formulating answers to complex questions. Given the complexity of the issues we are dealing with, we will be frequently making use of this principle in this book, and not only to simplify the answers to complex questions, but perhaps even more daringly, to simplify the questions. In fact, in an attempt to focus our basic questions, we will be using Occam's razor rather brutally and heroically, and we will abstract from many interesting details and also leave some equally important questions out of our investigation. Our hope is that this gambit will pay off by providing us with relatively sharp answers to some interesting questions. But of course, the reader will be the judge of whether our strategy has ultimately paid off or not.

Our first choice is about the classification of different regimes. As already pointed out, there are considerable differences among democracies, and it would have been possible to write a very interesting book about the differences between proportional representation and majoritarian electoral systems, and why some countries adopted one system, while others opted for the other system (e.g., see Rokkan, 1970). Similarly, much research has aimed at understanding differences between nondemocratic regimes, for example, between oligarchies and bureaucratic authoritarian dictatorships. But there are also a number of important commonalities among democracies and among nondemocracies. The most important one being that democracies generally approximate a situation of *political equality* relative to nondemocracies which represent the preferences of a much smaller subset of society, and thus correspond more to a situation of *political inequality*. Our focus in this book is to understand the social forces pushing some societies towards regimes with greater political equality versus those encouraging the development of more dictatorial systems. We will therefore adopt a dichotomous distinction between democracy and

nondemocracy. In democracy, we will include all regimes where the majority of the population take part in collective decision-making. In nondemocracy, we will include all other regimes, in particular all dictatorships, autocracies, and oligarchies, and we will use the terms “nondemocracy” and “dictatorship” interchangeably.

Such a dichotomous distinction makes sense and is useful only to the extent that there are some important elements that are central to our theory and common to all democracies, but generally not shared by nondemocracies. This is indeed the case. We argue that democracy, which is generally a situation of political equality, will look after the interests of the poorer segments of society more than nondemocracy, which is generally dominated by the richer segments of society and is more likely to look after their interests. Put simply and extremely, nondemocracy is generally a regime for the rich and the privileged, and compared to that, democracy is a regime more beneficial to the poorer majority of the populace, and will result in economic policies that are relatively more favorable to the poor.

There are many presumptions in the previous paragraph, and given their importance for the book, it is useful to take the time to dissect them. First, as already stated, we are claiming that nondemocracy represents political inequality relative to democracy. This is almost a tautology: in democracy, everybody has a vote, and at least potentially, can participate in one way or the other in the political process. In nondemocracy, a junta or an oligarchy or in the extreme case just one person, the dictator, are making the decisions. Hence, the contrast in terms of political equality makes sense. This of course does not mean that democracy corresponds to some ideal of political equality. In many successful democracies, there is one-person-one-vote, but this doesn't mean political equality. The voices of some citizens are heard more loudly, and those with economic resources might influence policies through non-voting channels, such as lobbying, bribery or persuasion. Throughout the book, when we talk of political equality in democracy, it is always a *relative* statement. Not that democracies are necessarily highly politically equal, but that they represent more political equality than nondemocracies.

Second, we are arguing that political inequality in nondemocracies often means greater power for the richer segments of the society, so that democracies, relative to nondemoc-

racies, are more pro-poor, especially in the economic policies that they adopt. This is clearly a generalization, and one that has many exceptions. China and Cuba are very nondemocratic regimes, but it is hard to argue that their governments represent the interests of the rich against those of the poor. Moreover, there are many democracies where because of lobbying, bribery or various ideological biases, policies often favor the rich not the poor. Nevertheless, we believe that as a broad generalization the claim that the poor have a more voice and say in policies in democracies than in nondemocracies is reasonable. It was in fact the belief of political activists in the 19th century and the primary reason for their desire for a democratic society. For example, in 1839 the Chartist J. R. Stephens argued in favor of universal suffrage precisely as a means of securing every working man's

“right to a good coat on his back, a good roof over his head and a good dinner on his table. The question of universal suffrage is a knife and fork question ... a bread and cheese question” (quoted in Briggs, 1959).

Moreover, in the next chapter we will provide evidence that democracies often pay attention to the wishes of the poor and the resulting policies are more pro-poor than those in nondemocracies. We will show, for example, that income distribution is often more equal in democracies than in nondemocracies, and that it actually improves when a society switches from dictatorship to democracy.

Therefore, throughout the book, we will adopt the generalization that certain regimes can be characterized as democratic while others are nondemocratic, and democratic regimes will adopt policies that are more beneficial to the poor, while nondemocratic regimes often opt for policies that are in the interests of the richer segments of the society. Furthermore, we will typically make the discussion more concrete by talking about *redistributive policies*. The most beneficial policies for the poor would often be policies that redistribute resources from the rich and the poor. This is not to deny that redistributive policies, for example, income taxation, create distortions. They do, but nonetheless, when used in moderation, they can increase the income, consumption and welfare of the relatively less well-off in the society. As a result, the poor would often be in favor of redistributive policies. The rich, on the other hand, will be typically opposed to such

policies that redistribute income from them to the rest of the society. Again, this is not to deny that there can be circumstances in which taxing the incomes of the rich to invest in public goods or education may be beneficial for the rich. This can happen. Moreover, governments do many more things than simply redistribute from one social group or class to another, including investments in roads and hospitals, and national defense. Nevertheless, there will typically be a threshold level taxation and government expenditure beyond which the rich would not like to venture because these taxes place a greater burden on the rich than the poor. In other words, the rich would be opposed to taxation and redistribution, at least after a certain threshold, because it is their incomes that are being redistributed, whereas the poor, as the beneficiaries of this redistribution, would support policies implementing redistribution beyond this level.

Overall, the outlines of our basic approach are taking shape. We will think of regimes falling into one of two broad categories; democracy and nondemocracy. Democracy will be thought of as a situation of political equality and characterized by its relatively more pro-poor policies, especially a greater tendency to redistribute income away from the rich towards the poor. In contrast, nondemocracy will give greater say to the rich, and will generally opt for policies that are less redistributive than democracy.

Given this distinction between democracy and nondemocracy emphasizing their redistributive consequences, we will focus on democratization experiences that included poorer segments of the society into the political arena, and we will have relatively less to say on extension of suffrage to women. In almost all European countries, voting rights were first given to adult men, and then subsequently extended to women. This reflected the then-accepted gender roles, and when these gender roles started to change as women entered the workforce, they also obtained voting rights. We will return to discuss some of the parallels between the extension of voting rights to women and to the poorer segments of the society below, but generally, the extension of the suffrage to women is not the main focus of our inquiry here.

2 Building Blocks of Our Approach

We have now determined the basic focus of our investigation: to understand why some societies are democratic, why some societies switch from nondemocracy to democracy, and why some democracies revert back to dictatorships. And we have already mentioned some of the building blocks of our approach. It is now the time to develop them more systematically.

The first overarching building block for our approach is that of “rational choice”. By this term, we do not mean that individuals always act rationally according to some simple postulates. Nor do we mean that there are only individuals, and no social groups that matter in society. Instead, what we mean is that individuals or social groups have well-defined preferences over outcomes or the consequences of their actions, for example, they like more income to less, and in addition, they may like peace, security, fairness, and lots of other things. But what matters is that they *do* have well-defined preferences that they understand. And they evaluate various different options, including democracy vs. non-democracy, according to their assessments of their (economic and social) consequences. For instance, consider a group of individuals for whom democracy and nondemocracy have the same consequences in all spheres, except that democracy generates more income for them, and they naturally prefer more income to less. Therefore, we expect these individuals to prefer democracy to nondemocracy. At some level, this postulate is therefore very weak. But at some other level, however, we are buying a lot with our rational choice focus. Most important, we are getting a license to focus on the consequences of the regimes, and preferences over regimes will be derived from their consequences. The alternative would have been simply to assume that one group dislikes democracy, whereas another group likes democracy, for example, because of certain ideological preferences or biases. We are not denying that such ideological preferences do exist, but we believe that individuals’ and groups’ preferences over regimes derived from the economic and social consequences of these regimes are more important. Later in the book, we will discuss how introducing ideological preferences affects our results, and the general message will be that, as long as these do not become the overriding factor, they will not affect our conclusions.

Together with the rational choice focus, there will also be considerable use of game

theory and game theoretic analysis. Game theory is the study of situations with multiple decision-makers, interacting strategically. The basic tenet of game theory is that individuals choose between various strategies according to their consequences. Our rational choice focus and the presence of important interactions between various political actors makes all the situations analyzed in this book essentially “game theoretic”. We will therefore make heavy use of game theory in modeling preferences over different regimes and transitions between these regimes.

Another major foundation of our approach is that the key actors will be social groups. In other words, somewhat similar to Marxist accounts of history and politics, we will emphasize the actions of different social groups, and in particular the rich and poor, and sometimes the rich, the middle class and the poor. This choice reflects our belief that many important policies, especially redistributive policies, have consequences that significantly differ depending on whether an individual is poor or rich. A straightforward example that we have already discussed is the level of taxation in society. High proportional income taxes will take more money from the rich (who have greater incomes), and consequently, the rich would be generally more opposed to high taxation than the poor. Naturally, there also exist policies that cut across class lines. For example, whether abortion should be legal, a hot topic in the U.S., affects individuals mainly according to their religious beliefs, not necessarily according to their socio-economic status. Without denying the importance of such policy issues, we believe that in the context of the contrast between democracy and nondemocracy, redistributive policies are much more important, and when it comes to these policies, looking at the preferences of broad social groups is the most parsimonious line of attack. Therefore, our focus on social groups as key political actors is another application of Occam’s razor.

Next, we can highlight three major concepts that will constantly recur in this book: political conflict, political power and political institutions. Most policy choices create distributional conflict; one policy benefits one group, while another benefits different individuals. This is a situation of *political conflict*—conflict over the policies that society should adopt. These groups, for example the rich and the poor, have conflicting preferences over policies, and every policy choice will create *winners* and *losers*. For instance,

with high taxes the rich would be the losers and the poor the winners, while when low taxes are adopted, the roles would be reversed. In the absence of such conflict, aggregating the preferences of individuals to arrive to social preferences would have been easy; we would simply have to pick the policy that made everybody better off. Much of political philosophy exists because we don't live in such a simple world, and situations of conflict are ubiquitous. Every time society (or the government) makes a decision or adopts a policy, it is implicitly siding with one group, implicitly resolving the underlying political conflict in one way or another, and implicitly or explicitly creating winners and losers.

Leaving issues of political philosophy, related to how a just or fair society should reconcile these conflicting preferences, aside, how does society resolve political conflict in practice? Let us make this question somewhat more concrete: suppose there are two policies, one favoring the poor and the other favoring the rich. Which one will society adopt? Since there is no way of making both groups happy simultaneously, the policy choice has to favor one group or the other. We can think that which group is favored is determined by which group has *political power*. In other words, political power is the capacity of a group to obtain its favorite policies against the resistance of other groups. Since there are always conflicting interests, we are always in the realm of political conflict. And since we are always in the realm of political conflict, we are always under the shadow of political power. The more political power a group has, the more it will benefit from government policies and actions.

But what is political power? Where does it come from? In thinking of the answers to these questions, it is useful to distinguish between two different types of political power. Let's call them *formal political power* and *brute-force political power*. Imagine Thomas Hobbes' state of nature, where there is no law and man is indistinguishable from beast. Thomas Hobbes considered such a situation to argue that this type of anarchic system was highly undesirable, and the state, as a leviathan, was necessary to monopolize force and enforce rules among citizens. But how are allocations determined in Hobbes' state of nature? If there is a fruit which can be consumed by one of two individuals, which one will get to eat it? The answer is clear: since there is no law, whoever is more powerful, whoever has more brute force, will get to eat the fruit. The same type of brute force

matters in the political arena as well. A particular group will have considerable political power when it has armies and guns to kill the other group when policies do not go its way. Therefore, the first source of political power is simply what a group can do to other groups and the society at large by using force. We will refer to this as brute-force or extra-legal political power. And yet, and fortunately, this is not the only type of political power. Today, key decisions in the United Kingdom are taken by the Labour Party, not by the Conservative Party. Hence, the Labour Party and the groups that it represents have more political power because political power has been allocated to them by the political system (they were voted into office in the last general election). As a result, among policies with conflicting consequences, they can choose those that are more beneficial to their constituency or to their leaders. We will call this type of political power, allocated by a legitimate political system, formal political power. Actual political power is a combination of formal and brute-force political power, and which component matters more will depend on various factors, a topic which we will discuss later.

Finally, we refer to the social and political arrangements that allocate formal political power as *political institutions*. For example, an electoral rule that gives the right to decide fiscal policies to the party that obtains 51 percent of the vote is a particular political institution. For our purposes, the most important political institutions are those that determine which individuals take part in the political decision-making process, i.e., democracy vs. nondemocracy. Therefore, a major role of democracy will be its ability to allocate political power. In democracy, the poor will have more political power than the rich. That democracies are more redistributive and look after the interests of the poor more than nondemocracies is then simply a consequence of the greater political power of the poor in democracy than in nondemocracy.

3 Towards Our Basic Story

Armed with the basic building blocks of our approach, we can now start talking about preferences over different regimes. There is typically political conflict between the rich and the poor, and democracies look after the interests of the poor more than nondemocracies do. For example, democracies choose more redistributive policies, increasing the incomes

of the poor at the expense of those of the rich.

It is therefore natural to think that the poor have a stronger preference for democracy than the rich. So if there is going to be conflict about what types of political institutions a society should have, we will have the poor on the side of democracy and the rich on the side of nondemocracy. And this is not a bad starting point. We will discuss in detail in Chapter 2 that in most instances, the transition from nondemocracy to democracy was accompanied by significant conflict between poorer segments of the society, who were hitherto excluded and wanted to be included in the political decision-making process, and the rich elite who wanted to exclude them. This was most clearly the case in 19th-century Europe, when initially the middle classes and then subsequently the working classes demanded voting rights. Their demands were first opposed by the rich elite, who then had to concede and include them in the political system.

In line with this account of political developments in 19th-century Europe, Aminzade (1993, p. 35), for example, describes the arrival of universal male suffrage to French politics as follows: “French workers, mainly artisans, constituted the revolutionary force that put the Republican party in power in February 1848...and working class pressure from the streets of Paris forced liberal Republican leaders....to reluctantly concede universal male suffrage.” Perhaps, more tellingly, the key players in the process of democratization saw it very much as a fight between the rich and poor. Viscount Cranborne, a leading British Conservative, described the reform struggle “a battle not of parties, but of classes” and “a portion of the great political struggle of our century—the struggle between property...and mere numbers” (quoted in Smith, 1967, pp. 27-28). The conflict between the poorer and richer segments of the society was also a defining characteristic of most instances of the introduction of universal suffrage in Latin America in the first half of the century, including the experiences in Argentina in 1912, in Uruguay in 1919, in Colombia in 1936, and in Venezuela in 1945.

This discussion, therefore, highlights how the poor want democratic institutions, since they benefit from them, and will therefore strive to obtain them. And given our definition of political power, we can say that the poor are more likely to secure a transition to democracy when they have more political power. Thus we have already constructed

a very simple theory of democratization: the poor want democracy and the rich want nondemocracy, and the balance of political power between the two groups determines whether the society transits from nondemocracy to democracy (perhaps also whether democracy, once created, becomes consolidated or reverts back to nondemocracy later).

This could be viewed as a very simplified version of our theory of democratization. But in fact it is so simplified that some of the essential features of our theory are absent here. Most importantly, the role that democracy, or more generally political institutions, play is somewhat trivialized.

The theory says that democracy is more redistributive to the poor, hence the poor prefer democracy to nondemocracy, and democracy will result when the poor have sufficient political power. But if the poor have sufficient political power, why don't they use this power to simply obtain the policies that they prefer rather than first fight for democracy and then wait for democracy to deliver those policies to them? Is democracy simply a not-so-necessary intermediate step here? One could argue so.

But this is only be a feature of the simple story we have told so far, and not a characteristic of real world political institutions. In practice, political institutions play a much more fundamental role than being a simple intermediating variable: they regulate the future allocation of political power between various social groups. They play this role because we do not live in a static world like the one described in the above discussion, but in a dynamic world, where individuals care not only about policies today but also about policies tomorrow. We can capture this important role of political institutions, and obtain a more satisfactory understanding of democracy and democratization by incorporating these dynamic strategic elements, which is what our theory of democratization attempts to do.

4 Our Theory of Democratization

Consider now the simplest dynamic world we can imagine: there is a “today” and a “tomorrow”, and the rich and the poor care about both policies today and tomorrow. There is nothing that prevents society from adopting a different policy tomorrow than today. Thus, it is not sufficient for the poor to ensure redistributive policies today, they would

also like similar policies to be adopted tomorrow. Suppose we are in a nondemocratic society, which generally looks after the interests of the rich, but the poor have political power today (we will discuss below why they may have political power in a nondemocratic regime), so they can obtain the policies they like. But they are unsure whether they will have the same political power tomorrow. Given that we are in a nondemocratic society, tomorrow the rich may become more powerful and assertive, and the poor may no longer have the same political power. Can they ensure the implementation of the policies they like both today and tomorrow?

This is where political institutions may be useful, much more useful than in the static world above. Institutions, by their nature, are *durable*—the institutions of today are likely to persist to tomorrow. A democratic society is not only one where there is one-person-one-vote today, but also one that is expected to remain democratic at least in the near future. And this durability of institutions was already implicit in our definition of political institutions as a means of allocating political power: they regulate the future allocation of political power. For example, democracy means that tomorrow there will be a vote to determine policies or to decide which party will rule, and in this, the whole population will participate. Nondemocracy means that much of the population will be excluded from the decision-making process.

Imagine now that the poor do not simply use their political power today to obtain the policies they like now, but they also use their political power to change the political system from nondemocracy to democracy. If they do so, they will have effectively increased their formal political power in the future. Instead of nondemocracy, we are now in a democratic regime where there will be voting by all. With their increased political power, the poor are therefore more likely to secure the policies they like tomorrow as well.

We have now moved towards a richer theory of democratization: transition to democracy, or more generally a change in political institutions, emerges as a way of regulating the future allocation of political power. The poor demand, and perhaps obtain, democracy so that they can have more political say and political power tomorrow. Returning to the beliefs of the Chartist J. R. Stephens, we can now see that he was right in demanding universal suffrage as a means of securing “right to a good coat..., a good roof... and a

good dinner” for working men rather than directly demanding the coat, the roof and the dinner. Those would have been only for today, whereas universal suffrage would secure them in the future as well.

Notice an important implicit element in the story: *the transitory nature of political power*. The poor are presumed to have political power today, but uncertain about whether they will have similar power tomorrow. The balance between the rich and the poor, or more generally between various social groups, is not permanent, it’s not set in stone, it’s not the same today as it will be tomorrow; it is transitory. This is reasonable in the dynamic and uncertain world we live in. It will be even more compelling when we think of the sources of political power for the poor in nondemocracy. For now let us ignore the sources of power in nondemocracy, however, and instead try to understand why the transitory nature of political power matters. Suppose that the poor have the same political power today as tomorrow. Then, why should they need political institutions to help them? If their political power is sufficient to obtain the policies they like (even to obtain the institutions they like) today, then it will be so in the future as well, and there will be no need to change the underlying political institutions. It is precisely the transitory nature of political power, that they have it today and may not have it tomorrow, that creates a demand for a change in political institutions. The poor would like to lock in the political power they have today by changing political institutions, specifically by introducing democracy and greater representation for themselves, because without the institutional changes their power today is unlikely to persist.

So why do the poor have political power in nondemocracy? If in fact nondemocracy is the regime of the rich, it will not give them formal political power, and it will persist indefinitely unless the rich decide to change it for other non-economic, perhaps ideological, reasons. To answer this question, recall that there can be brute-force (extra-legal) political power as well as formal political power. The poor are excluded from the political system in nondemocracy, but they are nonetheless the majority, and they can sometimes challenge the system, create significant social unrest and turbulence, or even pose a serious revolutionary threat. What is there to stop the majority of the population overwhelming the rich minority and taking control of society and its’ wealth, even if the rich have access

to better guns and hired soldiers? After all, the poor successfully occupied Paris during the Paris Commune, overthrew the existing regime in the 1917 Russian Revolution, destroyed the dictatorship of Somoza in Nicaragua in 1979, and in many other instances created significant turbulence and real attempts at revolution. But a real threat from the poor requires the juxtaposition of many unlikely factors: the masses need to solve the collective action problem necessary to organize themselves (that is, individuals should be convinced to take part in revolutionary activity despite the individual costs and the collective benefits to them as a group), they need to find the momentum to turn their organization into an effective force against the regime, and the elite, who are controlling the state apparatus, should be unable to use the military to suppress the uprising effectively. It is therefore very reasonable that such a challenge against the system would be only transitory: in nondemocracy, if the poor have political power today, they most likely will not have it tomorrow.

Imagine now an effective revolutionary threat from the poor against nondemocracy. They have the political power today to get what they want, and even overthrow the system. They can use their political power to obtain the coat, the roof and the dinner, but why not use it to obtain more, the same things not only today but also in the future. This is what they will get if they can force a change in political institutions. Society will transition to democracy, and from then on, policies will be determined by a one-person-one-vote, and the poor will have more political power, enabling them to obtain the policies they desire, and the resulting coat, roof and dinner.

In practice, however, changes in political institutions do not simply happen because the poor demand them. Transitions to democracy take place when the elite controlling the existing regime extend voting rights. Why would they do so? After all, the transfer of political power to the poor means higher taxes and greater redistribution away from them in the future, precisely the outcomes they would like to prevent. Faced with the threat of a revolution, wouldn't the rich like to try other types of concessions, even giving the poor the policies they want, rather than give away their power? To answer this question, let us return to the period of effective revolutionary threat. Imagine that the poor can overthrow the system, and are willing to do so if they don't get some concessions, some

policies favoring them to increase their incomes and welfare.

The first option for the rich elite is to give them what they want today: redistribute income and more generally adopt policies favorable to the poor. But suppose that concessions today are not sufficient to dissuade the poor from revolution. What can the rich do to prevent an imminent, and for themselves, extremely costly revolution? Well, they can promise the same policies tomorrow. Not only a coat, a roof and a dinner today, but also tomorrow. And yet these promises may not be *credible*. Redistributing income away from themselves towards the poor is not in the immediate interest of the rich. Today they are doing so to prevent the revolution. Tomorrow, the threat of revolution may be gone, so why should they do so again? Why should they keep their promises? No reason, and in fact they won't. Hence their promises are not necessarily credible. But non-credible promises are worth little, and unconvinced by these promises, the poor would carry out the revolution. If they want to save their skins, the rich have to make a credible promise to set policies that the poor prefer, particularly, make a credible commitment to future redistribution. A credible promise means that the policy decision should not be theirs, but placed in the hands of groups that actually prefer redistribution. Or in other words, they have to transfer political power to the poor who would like the redistribution to take place. A credible promise, therefore, means that they have to change the future allocation of political power. That is precisely what a transition to democracy does: it shifts future political power away from the rich to the poor, thereby creating *a credible commitment to future pro-poor policies and future redistribution*.

We now have our basic theory of democratization in place. In nondemocracy, the rich have formal political power and if they are unconstrained, they will generally choose the policies that they most prefer; in particular, they choose low taxes and no redistribution to the poor. But nondemocracy is sometimes challenged by the poor who may pose a revolutionary threat—they temporarily have brute-force (extra-legal) political power. Crucially, political power is transitory; they have it today and are unlikely to have it tomorrow. They can use this power to undertake a revolution, and change the system to their benefit, creating massive losses to the rich. The rich elite would like to prevent this outcome, and they can do so by making a credible commitment to future redistribution.

But promises of future redistribution within the existing political system are often non-credible. To make it credible, they need to transfer political power to the poor, and this is what democratization achieves.

This story of democratization as a commitment to future redistribution by the rich elite in the face of the revolutionary threat, and perhaps more importantly, as a commitment made credible by changing the future distribution of political power is consistent with the historical evidence. Most transitions to democracy both in 19th-century Europe and 20th-century Latin America took place amid significant social turmoil and revolutionary threats. For example, in presenting his electoral reform to the British Parliament in 1831, the Prime Minister Earl Grey was well aware that this was a measure necessary to prevent a likely revolution. He argued:

“There is no-one more decided against annual parliaments, universal suffrage and the ballot, than am I... The Principal of my reform is to prevent the necessity of revolution... I am reforming to preserve, not to overthrow.” [quoted in Evans (1983)].

The eminent British historian Darvall (1934) also points out that the 1832 Reform Act was “... introduced ... as a measure to stave off any further threat of revolution by extending the franchise to the middle classes.” The same considerations were also determining factors for the later reforms. For example, “as with the first Reform Act, the threat of violence has been seen as a significant factor in forcing the pace [of the 1867 Reform Act]; history was repeating itself.” (Lee, 1994). Similarly, the threat of revolution was the driving force behind democratization in the French, German and Swedish cases. For example, Tilton (1974) describes the process leading to the introduction of universal male suffrage in Sweden as follows:

“neither [of the first two reform acts] passed without strong popular pressure; in 1866 crowds thronged around the chamber while the final vote was taken, and the 1909 reform was stimulated by a broad suffrage movement [and] a demonstration strike.... Swedish democracy had triumphed without a

revolution—but not without the *threat* of a revolution” (pp. 567-568) (italics in original).

The threat of revolution and social unrest played an equally important role in the establishment of voting rights for the populace in Latin America. For example, in Argentina universal male suffrage was effectively institutionalized in 1912 by Sáenz Peña when the secret ballot was introduced and fraudulent electoral practices outlawed. The historian David Rock (1987, p. 188) describes the situation leading up to the concession of the existing regime as follows: “Radicals, socialists, and indirectly the anarchists helped fuel the movement for reform during the early years of the century. Progressives amongst the elite feared the growing popular support for the Radicals, wondering where their next revolt would come from.” Similarly, the reinstatement of democracy in Venezuela in 1958 was a response to intense uprisings and unrest. In describing the situation, Kolb (1974, p. 175) writes: “in dramatic intensity and popular violence, the events on January 21 and 22 in Caracas... was a true popular revolution of Venezuelan citizens ... armed with rocks, clubs, home-made grenades, and Molotov Cocktails, against a ferocious and well-trained Police force.”

The evidence is therefore supportive of the notion that most moves towards democracy happen in the face of significant social conflict and possible threat of revolution. Democracy is often not given by the rich elite because their values have changed. It is demanded by the disenfranchised poor as a way for them to obtain a share political power and thus secure a larger share of the economic rewards of the system.

5 Determinants of Democracy: The Role of Inequality

Now that we have a theory of democratization, we can ask what factors make the emergence of democracy more likely. Formally speaking, we have so far presented a theory, which predicts that transition from nondemocracy to democracy can arise as an equilibrium outcome. But perhaps more important are *the comparative statics* of the equilibrium, meaning, how the equilibrium changes when some underlying factors change. These com-

parative statics will enable us to explain why some countries transition to democracy while others don't, and guide empirical and historical work in understanding the emergence of democracy.

The most interesting comparative static results of our framework relate to the role of inequality. By greater inequality, we mean a bigger income gap between the rich and the poor. Everything else equal, greater inequality makes revolution more attractive for the poor: with revolution, they get a chance to share the whole income of the economy (minus what's destroyed in revolution), while in nondemocracy they obtain only a very small fraction of these resources. Since an effective threat of revolution is the spark that ignites the democratization process, greater inequality should be associated with a greater likelihood of democratization.

There is also another reason for why inequality might contribute to democratization in our basic framework. Recall that democratization occurs as a credible commitment to future redistribution, when the promise of redistribution is not sufficient to stave off the threat of revolution. The stronger is the threat of revolution, the more likely it is that this promise will be insufficient, and the more likely is the elite to be forced to concede democratization. Since greater inequality contributes to the strength of the threat of revolution, it makes democratization more likely via this channel as well.

This discussion of the role of inequality is one sided, however. It highlights how greater inequality increases the threat of revolution and thus the demand for democracy by the poor. But inequality may also affect the aversion that the rich have to democracy. To see why, first imagine a proportional income tax, the proceeds of which are redistributed lump sum to the whole population. As the gap between the rich and the poor rises, i.e., as inequality increases, holding average incomes constant, the burden placed on the rich *at a constant tax rate* rises, since overall tax revenues do not change but more of these revenues are now collected from the rich. Therefore, greater inequality typically increases the burden of democracy on the rich.

Moreover, most existing approaches suggest that greater inequality should increase the amount of redistribution (e.g., the tax rate on income) in democracy. The reasoning is that redistribution in democracy happens because the poor, who are relatively powerful

in democracy, want to transfer resources from the rich to themselves. In doing so, they take into account that redistributive taxation has distortionary costs. Hence, taxation and redistribution are determined by a trade-off between the benefits from redistribution and the costs from distortions. With greater inequality, the benefits from redistribution increase, inducing the political system to choose higher levels of taxation. Notice, however, that there are theoretical and empirical arguments for why the relationship between inequality and redistribution may be more complex (e.g., greater inequality may enable the rich to lobby more effectively against redistribution in democracy). Nevertheless, it is generally the case that with greater inequality, democracy imposes a greater burden on the rich than nondemocracy does. Overall, it therefore seems compelling that the costs of redistributive taxation and democratic politics to the rich, and hence their aversion to democracy, should be generally higher for the rich in a more unequal society.

How does this effect the relationship between inequality and transition to democracy? In our basic model, the attitudes of the rich do not matter, since when the revolution threat is binding and their promises of future redistribution are not credible, they have to concede democracy—they have no other option but to concede. But this account ignores a very important reality: the rich elite often use repression to quell a revolutionary threat rather than make concessions. The history of politics in many Latin American nations, such as El Salvador, Nicaragua and Venezuela, or Asian countries, such as Burma or Indonesia is that of moves toward democracy broken by repression and military regimes. Taking repression into account, we see that as democracy becomes more costly for the rich, repression becomes more attractive. Therefore, greater inequality may also discourage democratization.

Putting these two pieces of the story together, we find that there is a non-monotonic (inverted U-shaped) relationship between inequality and the likelihood of transition to democracy. In the most equal societies, revolution and social unrest are not sufficiently attractive for the poor; either there are no challenges to nondemocratic systems, or any challenges can be met by temporary measures, such as some limited redistribution. In other words, in these fairly equal societies the poor are already benefiting from the productive resources of the economy or even perhaps from the growth process, so they do not

make further strong demands. This may be the reason why democracy arrived relatively late in a number of relatively equal and rapidly growing economies, such as South Korea and Taiwan and has yet to fully arrive in Singapore. With stark contrast to this, in the most unequal societies, the poor have great reason to be unhappy and often try to rise up against the authority of nondemocracy. But now, the rich have a lot to lose from abandoning the system that looks after their own interests and transiting into one that will place a great redistributive burden on them. Thus, instead of democracy, a highly unequal society is likely to end up in a repressive nondemocracy or sometimes when repression is not enough, perhaps even experience a revolution. This might have something to do with the persistence of nondemocratic regimes in the highly unequal countries of Latin America, such as El Salvador and Paraguay. This account then suggests that democracy has the best chance to emerge in societies with middle levels of inequality. Here, the poor are not totally satisfied with the existing system, and the rich are not so averse to democracy that they resort to repression to prevent it.

Naturally, our framework also implies that a relatively effective threat to revolution from the poor is important. When the poor are not well-organized, the system will not be challenged, and transition to democracy will be delayed or put off indefinitely. Similarly, when civil society is relatively developed and the poor are organized, repression may be more difficult. When repression is cheap, as might be the case in relatively rural societies, the rich elite may never find democratization worthwhile. Therefore, some degree of development in civil society is also necessary for democratization.

Finally, the source of the income of the rich elite might also matter for the trade-off between democratization and repression. In some societies, the rich are heavily invested in land, while in others, richer segments are those with physical and human capital. There are likely to be two major differences in the attitudes of land owners and (physical and human) capital owners towards democracy and nondemocracy. First, land is much easier to tax than physical and human capital. Therefore, land owners have much more to fear from democracy than nondemocracy. This makes them much more pro-repression. Second, social and political turbulence is likely to be much more damaging to physical and human capital owners who have to rely on cooperation in the workplace and in the

trading process. This will make land owners more willing to use force to preserve the regime that they prefer. Both considerations imply that democratization will be more likely in a more industrialized society where the rich own significant physical and human capital than a more agricultural one where the rich are mainly invested in land. Put differently, democracy is more likely when the rich are industrialists rather than land owners.

In light of this discussion, how can we account for the fact that democracy started to emerge in many West European countries beginning in the middle of the 19th century? We believe that five factors are important in understanding the timing of West European democratization. First, as the industrialization process got underway, income inequality started to increase in many West European economies. Greater income inequality increased the intensity of discontent of the relatively less well-off in the society, and the resulting threat of revolution forced the rich elite to make a commitment to future redistribution by changing the political regime. Second, industrialization may have made repression more costly for the elite, making them more amenable to the idea of democracy. Third, together with industrialization, the rich become more heavily invested in physical capital and perhaps even human capital, and therefore less willing to use repression. Fourth, again associated with the industrialization process, many West European societies, especially Britain, became highly urbanized. Urbanization implies that the poor are much more concentrated both in their workplaces and in their living quarters. It therefore likely contributes to the organization of the working-class, intensifying the threat of revolution, and making repression less appealing for rich elite. Finally, it is noteworthy that the 18th century was the Age of Enlightenment, the era where influential philosophers such as Montesquieu, Voltaire, Diderot, and Rousseau eloquently broadcast the importance of reason and natural rights, with a strong argument in favor of liberty and against despotism. The French Revolution and the American War of Independence can be viewed, in some sense, as the descendants of the Enlightenment. As a result of these developments, the European civil society had developed significantly by the middle of the 19th century, making the poor more organized, more vocal and less willing to put up with Europe's own brand of despotism by the elites, and consequently making democratization

more likely.

Although the nature of revolutions is not the focus of this book, the above ideas also have interesting implications for the incidence of revolutions. For example, they can help to account for why most revolutions, for example in Russia, Mexico, China, Vietnam, Bolivia and Nicaragua take place in primarily agrarian societies. We would suggest that this is because landed elites favor repression rather than concessions and when repression fails revolutions take place. In more urbanized and industrialized societies where the rich are invested in capital, concessions are favored and revolution less often observed.

Another related question is what explains the two waves of Latin American democratizations. The first at the beginning of the 20th century, and the second starting in the 1990s. We believe that the same factors that account for the move towards democracy in 19th-century Europe, greater inequality, industrialization, the increase in urbanization and a better organization of civil society, are important for the first wave, and perhaps also for the second wave. But also the increased globalization of the world economy is an important factor in understanding the second wave of Latin American democratization, and we return to this topic below.

6 The Middle Class and Democracy

Perhaps the most famous treatise on the origins of democracy is Barrington Moore's *Social Origins of Dictatorship and Democracy*. Our work owes a natural intellectual debt to Barrington Moore, especially as we paraphrased his title. Barrington Moore was very explicit about the social origins of different regimes. Like Lipset and Rokkan's work and other so-called structuralist approaches that followed him, Barrington Moore linked subsequent political regimes, such as dictatorship and democracy, to initial social conditions, in particular, to the class structure and organization of agriculture and to the strength of the bourgeoisie. This early structuralist approach later came under attack from many political scientists, including Rustow (1971), Dahl (1971), O'Donnell and Schmitter (1986), Linz and Stepan (1996) and Przeworski (1991), who viewed it as too deterministic, and devoid of strategic interactions and politics. Perhaps in reaction to the structuralists, they de-emphasized the importance of economic conflict between social groups.

Our perspective is related Barrington Moore's pioneering work as we also emphasize conflict between different social groups, but in contrast to these earlier structuralist approaches and similar to the perspective of its critics, we stress strategic interactions and political factors, especially, the importance of political power and the role of political institutions in regulating political power. But these strategic interactions and the importance of politics all emanate from the conflicting economic interests of different social groups.

The other major emphasis of Barrington Moore's work was on the role of the bourgeoisie. Famously, Barrington Moore stated: "no bourgeoisie no democracy". His conception of bourgeoisie was broad, and we would map it to reality to include the middle classes as well as the very rich industrialists. He suggested that only societies with sufficiently strong bourgeoisies would become democratic, whereas societies where land owners were very strong so that the emerging bourgeoisie had to enter into an alliance with them would turn into dictatorships. Similarly, the literature on Latin American dictatorships and democratic consolidation emphasizes the important role played by the middle class since they often take the lead in negotiating with dictatorships [e.g., see Przeworski's (1991)s account of the collapse of Latin American dictatorships].

In contrast to Barrington Moore's emphasis on the bourgeoisie and the middle classes, some subsequent work, especially Therborn (1977) and Rueschemeyer, Stephens and Stephens (1992), noticed the important role that the poor and the working class played in the democratization process. They suggested that approaches emphasizing the role of the middle class were perhaps missing the most important actor, the working class. Reminiscent to these later contributions, our approach focuses on the conflict between the rich and the poor, but emphasizes the economic origins of this conflict. As already explained, in our theory the major factor that distinguishes democracy from nondemocracy is the greater redistributive tendencies of democracies, and here, we can think of those who benefit from redistribution, the poor, against those who lose out, the rich. Based on this reasoning, we initially did not include the middle class in this picture. This was mainly for simplification (again that Occam's razor). If the major conflict is between the rich who control political power and the disenfranchised poorer segments of the society, it

may appear not so essential to distinguish between the very rich and the not-so-rich, and between the very poor and the-not-so-poor. Nevertheless, once the middle class is brought into our framework, we obtain a range of interesting results, some of them vindicating the emphasis that Barrington Moore and other scholars have placed on the middle class.

The first role that the middle class can play in the emergence of democracy, most akin to Barrington Moore's vision, is as the driver of the process. Recall that in our framework democracy emerges in response to a serious revolutionary threat or significant social unrest. The middle class can be the driver in this process by playing a significant role in the revolutionary movement, or by fueling it and maintaining it. Almost all revolutionary movements were led by middle-class actors, and more important, a number of the major challenges to the existing regime in 19th-century Europe, for example the uprisings which helped to induce the First Reform Act in Britain or those during the Paris Commune in France, or the revolts of the Radical party in Argentina, were largely middle-class movements. Therefore, the middle class, by virtue of its more comfortable economic situation and greater education of its members, can be an important driver in the process towards democracy. This also might explain why many of the early moves towards democracy in Europe were only partial. If the middle class is the key actor, it is sufficient for the rich elites to co-opt the middle class rather than concede an all-out democracy to all those who are excluded from the political system. The resulting picture will then resemble the gradual move towards democracy experienced in much of Western Europe; first, the middle classes included in the political process, and then the franchise extended to the poor.

Perhaps the more important role of the middle class is that of a *buffer* in the conflict between the rich and the poor. Recall that when the rich expects democracy to be highly redistributive, they prefer repression to democratization. The presence of a large and relatively affluent middle class ensures that they play an important role in democratic politics, and because they are more prosperous than the poor, they will typically support less redistribution than that which would have obtained in their absence. Therefore, by limiting the amount of redistribution in democracy, a large and affluent middle class may act like a buffer between the rich and poor in democracy. It does this by simultaneously

making democratization more attractive for the rich than repression and at the same time inducing enough redistribution that the poor are content not to revolt.

The role of the middle class in the transition to democracy might help us understand the contrast between the political histories of Costa Rica and Colombia, on the one hand, and Guatemala, El Salvador and Nicaragua, on the other. Despite many similarities in their colonial histories and economic structures, these five countries have had very different political trajectories. Costa Rica and Colombia have become stable democracies relatively soon, while Guatemala, El Salvador and Nicaragua have remained nondemocratic for much longer, well into the 1990s. One important difference between these countries is that there is a relatively large and affluent middle class, especially, smallholder coffee producers, in Costa Rica and Colombia, but not in the other three cases. Perhaps as a consequence, democratic politics, once installed, has been much more conflict-ridden in Guatemala, El Salvador and Nicaragua than in Costa Rica and Colombia.

7 Democratic Consolidation

A theory of democratization is not sufficient to understand why some countries are democratic while some others are ruled by dictatorships. Many countries become democratic, but eventually revert back to a nondemocratic regime as a result of a military coup. This has been especially a common pattern in Latin America. Argentina is a striking example of the instabilities of Latin American democracy. Universal male suffrage was made effective (by the outlawing of electoral corruption) in Argentina for the first time in 1912. But it was soon overthrown by a coup in 1930. Democracy was re-instated in 1946, but fell to a coup in 1955, re-created again in 1973, subverted again in 1976, and finally re-installed in 1983. Similarly, the path to democracy has been marred by switches to dictatorships in Brazil, Chile, Guatemala, Peru, Venezuela, and Uruguay. Why has democracy been so hard to consolidate in much of Latin America?

To answer this question, we need to develop a theory of coups or alternatively a theory of democratic consolidation. Our framework, which emphasizes the greater redistributive tendencies of democracy, already takes us much of the way toward such a theory. We have already seen that because of the greater redistributive burden of democracy, the rich may

be willing to use repression to preserve nondemocracy. It is then a small step to think that they could also use force to revert democracy to nondemocracy.

Our theory of coups therefore builds on the different attitudes of the rich and the poor towards democracy. Once again, the poor are more pro-democracy than the rich (because democracy is more pro-poor than nondemocracy). Consequently, when there is a situation with the military on the side of the rich and sufficient turbulence to allow a military takeover, the rich might support or sponsor a coup to change the balance of power in society.

It is noteworthy that the reason why the rich might want to change political institutions, from democracy to nondemocracy, is similar to why the poor wanted democratization. What the rich care about is to change policies in their favor and to limit redistribution, and political turbulence and the alignment between their interests and those of the military might give them a window of opportunity for doing so. But there is the issue of the transitory nature of political power. They will have this opportunity today, but not necessarily tomorrow. Any promise by the poor to limit redistribution in the future is not credible within the context of democratic politics. Tomorrow, the threat of a coup will be gone, and democratic politics will again cater to the needs of the majority, the poor, and therefore choose the unconstrained amount of redistribution, which made democracy so costly for the rich in the first place. To reduce future redistribution in a credible way the rich need political power. A coup is their way of increasing their political power so that they can pursue the policies they like. In other words, a coup enables the rich to turn their transitory brute-force political power into more enduring formal political power by changing political institutions.

A related reason why a coup may arise is that in the midst of political and social turbulence, the military and the richer segments of society may be, perhaps rightly, worried about the future sustainability of democracy and even of the capitalist system, and want to preempt a potential move towards further left or even a revolution.

The view that switches from democracy to dictatorship are about redistributive politics is consistent with the motivations of many military interventions in Latin America and with the changes in policies and income distribution following such regime transitions.

The coups against Juan Peron's two governments in Argentina, the coup against the government of Arbenz in Guatemala in 1954, the coup against President Goulart in Brazil in 1964, and the coup against Salvador Allende in Chile in 1973 are some of the clearest, but not the only, examples of this. Stepan's (1985) analysis of military coups in Chile, Uruguay, Argentina and Brazil also echoes the same conclusion. He writes:

"The new authoritarianism in all four countries ... was installed in an atmosphere of growing class conflict. In each country the bourgeoisie provided the social base for the new authoritarian regime, whose first political acts were the use of the coercive apparatus of the state to dismantle..working class organizations." (1985, p. 318).

The evidence also suggests that income inequality tends to decline in democracy, especially in highly redistributive populist democracies, and typically starts widening again once the military steps in. The oscillations between democracy and dictatorship in Latin America give plenty of evidence of this. For example, the share of wages in Argentinian national income which were estimated to be around 28 percent at the time of the introduction of universal male suffrage increased to 42 percent during the first 10 years of democratic politics. Once democracy gave way to a dictatorship, the share of wages started to fall (e.g., Randall 1978, p. 29). Similarly, during Juan Peron's first government, the share of wages in national income increased by more than 10 percent in the course of a few years, but all of this gain and more were lost during the military regimes of the 1970s (e.g., Di Tella and Dornbusch, 1989). Inequality which was declining under Goulart in Brazil and previous democratic regimes in Chile and Guatemala also appears to have increased after the military intervention (e.g., Altimir, 1994, Deininger and Squire, 1996).

What factors determine whether a democracy consolidates or not? Since the main threat against democracy comes from its redistributive nature, the greater is redistribution away from the rich the more likely are they to find it in their interest to mount a coup against it. Therefore, greater inequality is likely to destabilize democracy, since, as observed above, the burden of democracy on the rich is increasing in the income gap

between themselves and the poor. The recent study by Przeworski et al. (2000) on the empirical regularities of transitions between democracy and nondemocracy concurs with this conclusion. They find that “democracies are less stable in societies that are more unequal to begin with” (2000, p. 122).

This comparative static result with respect to inequality offers a potential explanation for why democracy may have been much harder to consolidate in Latin America than in Western Europe. Latin American societies are considerably more unequal, and therefore suffer more from distributional conflict between the rich and the poor. Our framework predicts that in highly unequal societies, democratic policies should be highly redistributive, but then abruptly come to an end with a military coup that reverts back to much less redistributive policies. This pattern is reminiscent of the oscillations of many Latin American countries between the highly redistributive but unsustainable populist policies of short-lived democracies and the fiscally much more conservative approach of military regimes. Tellingly, Kaufman and Stallings (1991) also emphasize a close connection between unconsolidated democracy and populist redistribution. They write (1991, p. 27) “established democracies (Venezuela, Colombia and Costa Rica in our study) were also associated with orthodox macro policies it was the transitional democracies (Peru, Argentina and Brazil) that followed populist policies.”

Given the link between redistribution and democratic consolidation, any limits on redistribution in democracy is likely to help consolidation. In general, there can be a variety of reasons why democracies only engage in moderate redistribution. First, the rich may be quite influential in democracy because they control an influential upper house, like the Prussian Junkers in 19-century Germany, the British House of Lords, or the party system. Knowing that in democracy they will be able to insure against the most excessive redistribution away from them, the rich will be less willing to undertake action against democracy. An interesting example in this context is the links between the rich elite and both the traditional ruling parties in Colombia. Throughout the 20th century, the Liberal and Conservative parties managed successfully to avoid the entry of socialist parties by manipulating electoral institutions, particularly the form of proportional representation. Without a left-wing party, highly redistributive political agendas did not emerge

in Colombia. Interestingly, Colombia has one of the most consolidated democracies in Latin America, though there are often—quite justified—complaints that the system does not represent the interests of the poor. This might also explain why transition to democracy in Chile may have run very smoothly after the systematic gerrymander that General Pinochet arranged in the electoral rules. This manipulation under-represented urban areas at the expense of more conservative rural areas thus reducing the political power of the left (Londregan, 2000).

Second, the middle class may play an important role in consolidating democracy by limiting redistribution. A society with a large and affluent middle class will engage only in limited redistribution away from the rich towards the poor, and therefore provide a much smaller threat to the interests of the rich elite. This might be useful in understanding why many West European societies and some Latin American societies like Costa Rica and Colombia with comparatively large middle classes have also had relatively stable democracies, while El Salvador and Guatemala, which lack such a middle class acting as a buffer, have had difficulty consolidating democracy.

Third, there may be some relatively effective constitutional limits on taxation, which will prevent the most excessive populist and redistributive policies. Recent years have witnessed introduction of supermajority rules and related provisions for increasing taxation. It is even possible to interpret the separation of powers as in the U.S. constitution as a way of putting constitutional brakes on increases in taxation. This is in fact the interpretation offered by the classic, but often ignored, study of U.S. politics, Charles Beard's *An Economic Interpretation of the U.S. Constitution*. Beard suggested that U.S. democracy was made possible thanks to the guarantees that it gave to the richer segments of the society that they would not be expropriated by the poor, and the U.S. constitution and the separation of powers that it stipulated were important elements of these guarantees.

Fourth, the rich elite might undertake some investments that are particularly useful in democratic societies (for example, trading with other countries that will apply boycotts and sanctions if there is a move back towards dictatorship, or productive relationships that require cooperation from a broad cross-section of the society). Once the rich elite become invested in industry and engaged in joint ventures with foreign capital, a coup

would be more costly for them. The rich segments of the society could therefore increase the cost of a coup for themselves and help consolidate democracy by their investments and economic decisions.

Finally, somewhat paradoxically, a large redistribution of assets, for example land reforms or public investment in the human capital of the poor segments of the society, might help consolidate democracy. It is true that it is the redistributive nature of democracy that gets it into trouble. So how is it that asset redistribution might help consolidate it? The answer lies in distinguishing between past and future redistribution. When the rich undertake or support a coup, they are trying to prevent future redistribution under democracy. Future redistribution is expected to be more pronounced in a more unequal economy, hence the greater likelihood of coups in unequal societies. If a society successfully undertakes asset redistribution, for example, a large land reform, then the underlying level of inequality will be lower, and there is less need for future redistribution, and therefore less to fear for the rich. In practice, there are a number of examples of democracies that have become quite stable following major asset redistributions. These include Britain and France following the large public investment in education in the 19th century, Costa Rica following the educational and land reforms that reduced both earnings and land inequality after the democratization in 1948 appear to have helped with the consolidation of democracy (see Yashar, 1997, and Vilas, 1995), and Venezuela after a major land reform following the return to democracy in 1958 (Cardoso and Helwege, 1992, and Powell, 1971).

There is a danger in radical reforms, however; despite reducing the future incentive to mount coups, their anticipation may increase the likelihood of a coup during the reform period. The argument is simply an extension of that in the previous paragraph. It is future redistribution that matters, and when the rich anticipate that there will be major redistribution away from them, for example a large land reform under democracy, they have much stronger incentives to mount a coup. These issues appear to have been important in Guatemala in 1954, in Brazil in 1964, and in Chile in 1973. In all three cases major land reforms were on the agenda of the democratic regimes, and the military juntas that came to power blocked or reversed these land redistributions.

8 Political Development, Globalization and Waves of Democratization

One of the most striking regularities, first emphasized by Lipset (1959) and recently by Przeworski et al. (2000), on cross-country differences in democracy is that richer countries are likely to be more democratic. Moreover, a closer look at the data reveals that, as noted by Przeworski et al. (2000), this is mostly because relatively rich countries suffer fewer coups than poorer ones. Another interesting regularity is that there are waves of democratizations, periods during which many countries simultaneously transition from dictatorship to democracy. Examples of these waves would include the march towards democracy in the second half of the 19th-century in Western Europe, the aftermath of the Second World War both in Western Europe and Latin America, and the wave of transitions from dictatorship to democracy in Latin America since the mid-1980s. How does our framework account for these patterns? Why are richer countries less likely to suffer coups? And why are there waves of democratizations?

Let us start with potential explanations for patterns of political development. We have already discussed the major determinants of democratization and democratic consolidation. Cross-country differences in inequality appear to be a major factor in shaping transitions to democracy and the durability of democracy. So a first possibility is that richer countries are more equal, and their relative equality is an important factor in their ability to consolidate democracy. There might be some truth to this story, especially considering the evidence in Chapter 2 which shows that there are significant differences in income inequality between democracies and nondemocracies. Nevertheless, inequality is unlikely to be a major channel for political development. The relationship between income and democracy remains strong even once we control for inequality.

Another important channel might be the organization of the poor. The poor and the working class are typically better organized in richer countries, which have more developed civil societies. A better organized majority can make more effective demands from the rich elite, and induce democratization more easily as our discussion above suggested. This might explain why the social unrest and democratization movements became significantly

stronger in South Korea and Taiwan in the 1980s as per capita income grew, despite their relatively unusual degree of economic equality.

And yet, the major issue seems to be to explain why richer countries are less likely to suffer coups, and here the organization of civil society also appears important. Coups are more difficult when the poor segments of society are well-organized and concentrated in urban centers. For example, think of the attempted coup by the French military during the Algerian crisis. Coups like this have succeeded many times in Latin America, but the French attempt quickly faltered in the face of the strength of democratic and civil institutions in France.

Perhaps most important, however, may be differences in the sources of income for the rich. As already discussed, in some societies, the rich are heavily invested in land, while in others, richer segments are those with physical and human capital, and land owners are typically more willing to use force to preserve nondemocracy or ensure a transition back to nondemocracy than capital owners. This is because they have more to fear from taxation in democracy given that land is easier to tax, and because the political and social turbulence associated with the use of force, either in the form of repression or in the process of a military coup against democracy, is less costly for them than for the capital owners. The changes in the composition of factors of production as an economy grows might be a major contributor to its political equilibrium. In relatively poor societies, land is more important, and land owners will form a powerful lobby in favor of repression to counter possible transition to democracy and in favor of coups against democracy.

These answers about the reasons for differences in political regimes between rich and poor countries are tentative, and we believe that an area of important future research is to develop this framework to understand the differences better.

What about waves of democratizations? We have already mentioned how the increase in inequality and other changes associated with industrialization may have been important in spurring the moves towards democracy in the 19th-century Europe. We have also discussed how parallel developments in the strength of civil society in a number of countries might increase the pressure that the disenfranchised put on the system, leading to a wave of democratizations.

In addition to these two important factors, we could mention two other reasons for why many countries may democratize at the same time. First, challenges to the existing nondemocratic regimes often come during unusual periods, periods of economic crises or right at the end of major wars and these events are often correlated across countries. These are times of social turbulence, therefore times where the poor may organize and pose an effective revolutionary threat against a nondemocratic regime. More important, these are transitory times. The poor may be well-organized especially when they return from the trenches as soldiers with arms in their hands, and make effective demands. But they have this brute force political power only today, and will not have it tomorrow. Any promises made today, without the backing of a real transfer of political power, are bound to be retracted in the future and are non-credible. The elite therefore needs to make a credible commitment to future concessions before the transitory political power of the disenfranchised disappears. Periods of economic crises and the aftermaths of wars should therefore lead to the simultaneous fall of many nondemocratic regimes.

The other important factor leading to simultaneous transitions to democracy in many countries might be globalization. There is no doubt that there are stronger economic links between nations today than 40 years ago. Nations are more closely linked internationally today, with economic organizations such as the European Union, NAFTA, Mercosur and Asean, with a much larger volume of trading goods and services, and much larger cross-border financial transactions. Do these major economic and political changes have implications for regime transitions and the stability of different systems?

Our analysis will reveal that globalization might contribute to regime transitions in a number of distinct ways. First, international financial integration means that capital owners, the rich, can more easily take their money out of a given country. This makes it harder to tax the rich, and reduces the extent to which democracy can pursue populist and highly redistributive policies. International financial integration therefore makes the rich feel more secure about democratic politics, and discourages them from using repression or other methods to prevent a transition from nondemocracy to democracy. Second, increased international trade affects factor prices and via this channel, modifies redistributive politics. We expect one implication of increased international trade to be an increase

in the rewards to the relatively abundant factor in each country, and in the case of less developed nations, which are the main candidates for democratization, since they are the ones still in nondemocracy today, to increase the rewards to labor. Intuitively, before the advent of significant trade flows, these countries had an excess of labor and a shortage of capital, depressing the rewards to labor and increasing those to capital. Trade opening will pull these rewards towards those prevailing in the rest of the world, thus increasing the rewards to labor and potentially reducing the return to capital. Trade opening will therefore reduce the gap between labor and capital income and hence inequality in these nations, helping to stabilize democracy. Third, increased international trade also means that disruption of economic activity may become more costly for many less developed nations that are now integrated into the world economy, and therefore coups and repression may now be much more costly for the rich elite. Finally, increased political integration and the end of the Cold War (if not hijacked by the war against terrorism) might imply that countries that experience anti-democratic coups perhaps expect stronger sanctions and reaction from the world, increasing the effective cost of a coup for the rich segments of the society. This might be especially important since a number of nondemocratic regimes in the Cold War era, such as Mobutu's disastrous dictatorship in Zaire, were kept alive by the explicit or implicit support of the international community.

9 Future of Democracy

The objective of this book is to develop and present a parsimonious framework to analyze democratic and nondemocratic politics, and the transitions between these regimes. Our analysis is mostly aimed at understanding the broad-brush picture of complex social phenomena. Although any simple framework will make predictions about the future as its own peril, it is useful to reflect upon the future of democracy given the framework we have developed already.

A number of issues appear important in thinking about whether democracies around the world will be consolidated, and how they will transform themselves from what they are today.

First, the world is experiencing an increased importance of *human capital* relative to

land and physical capital. This is both because the typical citizen of both developed and developing nations is much more educated today than he or she was fifty years ago, and because technology throughout the 20th century appears to have relied more and more on the skills and the human capital of the workers (or appears to have been “skill-biased”), thus increasing the importance of human capital in the labor market (e.g., see Acemoglu, 2002). Although greater returns to human capital may increase inequality in certain instances, for example as in the U.S. economy over the past 30 years, it will generally help close the gap between the rich and the poor and create a large middle class in many less developed nations that are nondemocratic or live in semi- or non-consolidated democracies. As this gap closes and a middle class emerges, we expect less distributional conflict and more stable democracies. The recent past has witnessed many accounts of the “end of class warfare” (e.g., Fukayama’s *End of History*). Our approach, at some level, has been all about class warfare—or in a milder form, about conflict between the rich and the poor. We are not predicting that there will be an end to this conflict anytime soon, but simply that with a greater role for human capital, this conflict will be less charged and intense.

Second, as already discussed in the previous section, we now live in a highly *globalized world economy*. For reasons discussed there, we believe that greater international economic and financial links will help consolidate democracy. Again, conflict between the rich and the poor will remain in the global world economy. But globalization may take the most disruptive weapons from both sides’ arsenal in this fight. The poor will not want to pursue the most populist and redistributive policies, making the rich more secure in democracy. The rich will be much more averse to coups and disruptions.

Third, the end of the *Cold War* implies that the implicit economic and political support that many nondemocratic regimes received has come to an end, making the transition to democracy easier, and coups against democracy harder (though, as already noted, there is a danger that the recent war against terrorism might offset the potential benefits of the end of the Cold War).

All three of these factors imply that the future of democracy is bright. Democracy is much more likely to triumph against nondemocracy today than it has been in the past,

both in places it hasn't arrived yet and in places where it hasn't been consolidated yet.

And yet given these developments, do we expect democracy to change its nature in this new era? Our argument so far has been that democracy is pro-poor. This was mainly a relative statement, comparing democracy to a typical nondemocratic regime. We also noted that there are reasons for why, in democracy, the rich may be more powerful than the poor even if democracy is generally more pro-poor than nondemocracy. There are two reasons to expect that the rich may become more powerful in democracy as time goes by.

First, note that the most important source of extra power for the rich in democracy would be their control of the party system, and thus the political agenda, and their ability to form an effective lobby against certain policies. Do we expect the rich to be able to do so more effectively in the future? There are two reasons for suspecting that the answer may be yes. With the increased bright future for democracy, the rich, especially in the current unconsolidated or semi-consolidated democracies, have to come to terms with living in democracy. They might then as well try to do their best in order to influence democratic politics to reduce redistributive taxation. Therefore, the returns to the rich for increasing their power in democracy may now be greater. Perhaps more important, as democracy matures, there might be a greater opportunity to the organized groups, such as the rich, to become more powerful. The argument that interest groups become stronger over time in democratic societies was first developed by Mancur Olson in his classic political economy treatise, *The Rise and Decline of Nations*. Olson pointed out that as time goes by, cooperation and trust will form between different members of influential lobbies, and perhaps more important, these lobbies will be able to more effectively capture the major branches of the government and the political system. In the context of democratic politics, one of the interest groups that might become stronger and come to dominate much of politics is the rich. If so, we might expect democracies to become less pro-poor as time goes by. The fact that new democracies appear to have been more redistributive than mature democracies throughout the 20th century, and the observation that conservative parties have become stronger in many well-established democracies over the past 40 years are consistent with this notion.

Second, there is also a different side to the increased importance of human capital

(including, skill-biased technical change) and greater globalization. These economic developments, by reducing distributional conflict, are weakening many of the organizations that have played an important role in supporting the poor and policies favoring the poor. The organizations losing strength include traditional social democratic parties and labor unions. This is most clearly visible in much of the Anglo-Saxon world, especially in the United States and the United Kingdom, where labor unions today are much weaker and the traditional left parties have become generally opposed to redistribution. If these changes become more widespread around the world, we might expect the rich and conservative parties to become more powerful, and democracy to become less redistributive in the future, especially if new forms of representation for the poor, both in the political sphere and in the workplace, do not emerge.

10 Overview of the Book

The rest of the book will develop the arguments outlined in this introductory chapter. The remainder of this part of the book will continue to lay the scene. In Chapter 2 we will survey the empirical evidence about cross-country patterns of democracy. We will show that richer countries are more likely to be democratic, more educated countries are more likely to be democratic, and more equal countries are generally less democratic. We also show that, as emphasized by Przeworski et al. (2000), the association between income and democracy is mostly driven by the fact that rich countries do not suffer coups, and the relationship between inequality and democracy is also because of the higher likelihood of coups in highly unequal societies. This chapter will also survey the historical evidence about the emergence of democracy in Western Europe and Latin America in detail, and show how democracy often emerged amidst significant turbulence or even fear of revolution. Finally, we will show that historically democracies have been more redistributive, and as also emphasized by Rodrik (1999), democracies have more equal distributions of income, and redistribution increases following democratization.

Chapter 3 will briefly survey the large political science literature on the origins of democracy and dictatorship. Our aim in this chapter is not to be comprehensive, but to highlight the main lines of thought of the literature, and relate our contribution to those

that have been popular in the past or are currently influential.

Part II will survey some existing models of collective decision-making in democracies and nondemocracies. We will provide a simple analysis of electoral politics and competition, which will be useful in later parts of the book. We will also introduce some basic models of two-class and three-class models of distributional conflict, paying special attention to the relationship between inequality and redistribution.

Part III will provide our basic approach to democratization. Chapter 6 will introduce our basic model of the extension of franchise. This chapter will formalize many of the issues already mentioned in this introductory chapter, giving us ways of thinking of the role of political power and the role of political institutions in allocating future political power. It will illustrate how democratization is a way of making a credible commitment to future redistribution by transferring political power to the poorer segments of society. It will also show how democratization may be a response by the rich elite in the face of a credible threat of revolution by the poor. Chapter 7 will add the possibility of repression into this framework, and show how this possibility changes the relationship between inequality and the likelihood of democratization. We will see the possibility of an inverted U-shaped relationship between inequality and democracy in this chapter. Chapter 8 will analyze how the presence of a large and affluent middle class affects the balance of the distributional conflict between the rich and the poor and act as a buffer in this conflict, discouraging repression by the rich and ensuring enough redistribution for the poor.

Part IV turns to models of coups and democratic consolidation. Chapter 9 will develop our basic model of coups against democracy, and Chapter 10 will discuss various ways in which democracy may be consolidated despite the potential threat of coups.

Part V will discuss political development, i.e., the question of why, and whether, countries transition to democracy as they become get richer, and potential explanations for why there are waves of democratizations. The potential reasons for the relationship between income and democracy is the topic of Chapter 11, while Chapter 12 focuses on waves of democratizations, with special emphasis on the role of globalization in this process.

Part VI will discuss the future of democracy and conclude the book.