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Ethan B. Kapstein and Nathan Converse
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THE FATE OF YOUNG DEMOCRACIES

The recent backlash against democracy in such countries as Bolivia, Venezuela, Russia, and Georgia poses renewed concerns about the viability of this regime type in the developing world. Drawing on a data set of every democratization episode since 1960, this book explores the underlying reasons for backsliding and reversal in the world's fledgling democracies and offers some proposals with respect to what the international community might do to help these states stay on track toward political stability. Revising earlier scholarship on this topic, which focused on poor economic performance as the leading cause of democratic reversal, Ethan B. Kapstein and Nathan Converse argue that the core of the problem is found in the weak institutions that have been built in much of the developing world that allow leaders to abuse their power. Understanding the underlying reasons for democratic failure is essential if we are to offer policy recommendations that have any hope of making a difference on the ground.

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This book is dedicated to Samuel P. Huntington

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Preface and Acknowledgments

Sunny optimism about the durability and inevitable advance of democratization seems utterly misplaced.

Charles Tilly (2003)

The international community has good reason to be concerned by the fate of the world's young democracies (Freedom House, "Freedom in the World 2008," Press Release, January 16, 2008).¹ From Latin America to East Asia, constitutional arrangements and democratic institutions are under fire. Is the "third wave" of democratization (Huntington 1991) now receding? If so, what is causing the retreat?

Reports from the field indicate that democracy's health is fragile. During the research and writing of this book, for example, the democratically elected regime of Thaksin Shinwatra in Thailand was overthrown by a military coup in September 2006 (representing the *fourth* time that democracy had collapsed there), only to see a new but uneasy round of parliamentary elections held 16 months later. Meanwhile, a new move toward democratization in Pakistan (that country's *fifth*

¹ We use the terms *young democracies*, *young democratizers*, and *democratizers* interchangeably in this volume and our definitions (based on Polity IV rankings of regime type), methodology, and list of cases appear as Appendix 1. We use the term *democratic reversal* to refer to the overthrow of democracy (defined as a fall in the Polity score of 6 points or more) or what other authors have called *breakdown* (e.g., Bernhard et al. 2001, 2003; Gasiorowski and Power 1998).

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attempt to establish this regime type) was marred by election-related violence culminating in the assassination of former Prime Minister Benazir Bhutto. In Africa, elections in Kenya in late December 2007 that were widely viewed as fraudulent led to widespread bloodletting along ethnic lines.

Elsewhere, democracy in Fiji (the *second* episode of democracy in that country) abruptly ended in a coup d'état in December 2006, while in January 2007 the military in Bangladesh conducted what might be called a “soft” coup, maintaining the government in power while demanding that it declare martial law in the face of a deteriorating political situation. Recent power grabs by the leaders of such countries as Russia, Georgia, Venezuela, and Bolivia have all set back the cause of democracy in those nations (Fish 2001; Freedom House, “Russia Downgraded to ‘Not Free,’” Press Release, December 20, 2004; Freedom House, “Freedom in the Former Soviet Union Deteriorated in 2007,” Press Release, January 23, 2008). Overall, at least half of the world’s most recent democracies – often referred to in the academic literature as being “unconsolidated,” “fragile,” or “partial” – are struggling to consolidate their institutions, whereas several others have already reverted back to authoritarian rule (Epstein et al. 2006).

Among the world’s young and fragile democratizing states, we also find a number of countries that have become vital to U.S. national security interests, including Afghanistan, Iraq, and, as already mentioned, Pakistan in Southwest Asia. In the Middle East, Lebanon has struggled for decades to build a stable democracy, while the government of any newly established Palestinian state would surely face massive economic, political, and social challenges. Ensuring that these young democracies survive, consolidate, and prosper is therefore critical both to the leaders of those nations and to the foreign governments that support their cause.

The purpose of this book is to contribute to the renewed academic and public policy debates over the role of democracy in promoting long-run political stability and economic growth, with a specific focus on the

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differences between those young democracies that manage to consolidate their regimes and those that backslide or revert to authoritarianism. Simply stated, we argue that young democracies must put into place institutions and policies that disperse political and economic power if they are to survive. We further provide evidence that the problem of consolidating young democracies is particularly acute in deeply divided societies where structural or “initial conditions” like poverty, high concentrations of mineral wealth, or ethnic fragmentation may motivate politicians to centralize political and economic power rather than to distribute it more widely. Our analysis therefore leads us to adopt something like a classically pluralist vision of democratic governance.

We wish to stress, however, that we are *not* initial conditions “determinists.” In fact, the data and case studies we present demonstrate that history is not always destiny. Even when leaders face severe structural constraints, they retain some room to maneuver, meaning that the institutional and policy choices they make and the *type* of democracy they establish matter greatly to their chances of forging durable regimes. Gideon Rose put it well when he wrote “it is precisely where circumstances leave off that the local democratizers’ freedom of action begins” (Rose 2000/2001, 202).

The point is that political agency – the choices that actors make – is hardly irrelevant to a country’s well-being. After all, if people truly had no agency, why would we study politics in the first place? In adopting this perspective we echo the words of Wilkie Collins, who wrote of his novel *The Moonstone*, “In some of my former novels the object proposed has been to trace the influence of circumstances upon character . . . the attempt made here is to trace the influence of character upon circumstances” (Collins 1868/1998).

Using the drier words of political economy, we argue that democracy builders serve their countries particularly well when they establish institutions that place effective constraints on executive authority. These constraints are of particular importance in divided or highly fragmented societies (including where elites are fragmented, as in Thailand), which

are common in the developing world. Without such constraints, those groups lacking power (the “outsiders”) will naturally mistrust executive authority and these doubts about a government’s aims can quickly boil over into resentment or even violence against the regime. As the World Bank notes, “social polarization undermines the accountability of government to citizens” and that lack of accountability means that politicians need not respond to the needs or interests of certain groups (World Bank 2005, 320). *In fact, we find that when effective checks and balances are missing from institutional arrangements, even rapid economic growth may not save a democracy from reversal.* Indeed, our research highlights that many recent examples of democratic backsliding have occurred in high-growth nations (e.g., Russia, Thailand, and Venezuela).

Thus, it is not economic performance alone that determines the fate of young democracies, as much of the earlier generation of literature in political economy once argued (see Svobik 2007 for a review). Additionally, the institutional choices that societies make will also have a marked influence on the prospects for democratic consolidation, irrespective of how much growth a government manages to deliver during its mandate. Further, the *type* of growth may matter as well; if all the benefits go into only a few pockets, there may be little support for the economic policies of the day. As with political power, economic power also needs to be redistributed if democracy is to consolidate. By examining both institutional and performance-related variables, our work therefore builds on endogenous growth theory and the new institutionalism in seeking deeper political and social correlates of why democratic regimes survive or fail (see Landa and Kapstein 2001).

Beyond the domestic or internal choices that a new regime might make with respect to its policies and institutions, the success of a young democracy may also depend on the degree and kind of support it receives from the international community. Although countries may “make their own fates,” as Larry Summers liked to say when he served as U.S. Treasury Secretary under President Bill Clinton, the international environment plays a more important role than is commonly appreciated. As we

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will see, democracies that came into being anywhere in the world in the 1990s have had a much higher chance of survival than those that emerged in the 1960s, for reasons that we suspect have strongly to do with the incentives provided by the structure of contemporary world politics. An important question with respect to the future of democracy, therefore, might concern how changes in world politics – such as the relative rise of Chinese power, should that continue – will influence domestic regime choices in the developing world. Will the “China model” of authoritarian capitalism, the “Beijing Consensus,” provide a compelling political-economic alternative to democracy? (See Ramo 2004 for a sympathetic view.)

In this examination of the relationship among institutions, economic performance, and democratic consolidation (and reversal), we tackle a large and growing academic literature while at the same time keeping our eyes fixed firmly on significant issues for public policy. With respect to the academic literature, we address in particular three leading hypotheses or pieces of “conventional wisdom” that have shaped much of the debate about the causes of democratic consolidation and reversal: *first*, that democratic reversal is primarily caused by poor economic performance; *second*, that presidential regimes are more likely to be reversed than parliamentary regimes; and *third*, that young democracies are more likely to be reversed than older democracies. Although each of these hypotheses has undoubtedly marshaled a fair amount of empirical support over the years, the present analysis, using our unique data set, suggests the need for some reconsideration.

From a policy-making perspective, this book places under the microscope the claim increasingly made by public officials that democratization *is a means for generating economic growth*, along with their associated belief that *economic growth is necessary for democratic consolidation*. As former United States Agency for International Development official David Yang has written, “Democratic governance is now seen [by the foreign assistance community] as not only an integral component of human development overall but also one of the main keys to

unlocking socioeconomic progress in poorly performing countries” and he asserts that there is a “*new international consensus about the relationship between democracy and development...*” (Yang 2006, 377, italics added). Unfortunately, that consensus is not found among academics, and ironically much of the modern political economy literature has suggested that, to the contrary, democracy might even be detrimental to the economy over some relevant period of time (a case famously made by Olson 1982; for a focus on the poor performance of the world’s youngest democracies, see Keefer 2007b).

Our research shows that newly democratic states are especially at risk of reversal during their first five years of existence, a crucial point that the international community needs to understand if it seeks to support their consolidation. As Samuel Huntington has written, these “new democracies are, in effect, in a catch-22 situation: lacking legitimacy they cannot become effective; lacking effectiveness they cannot develop legitimacy” (Huntington 1991, 258). Further, as Philip Keefer has stressed (Keefer 2007b), the leaders of young democracies – almost by definition – lack *credibility*; that is, voters and economic agents doubt their ability or willingness to craft, much less execute, policies that serve the general welfare. Therefore, building credibility and legitimacy (and doing so quickly!) is among the major challenges that the leaders of young democracies face if they are to consolidate their regimes.

How, then, are the world’s youngest democracies faring in terms of their economic and political performance, and what factors explain the differences in performance that we observe? Why do some young democracies manage to consolidate, whereas others experience backsliding and even reversal? Are the leaders of newly democratic states willing and able to engage in the economic and institutional reforms that are necessary for long-run growth and democratic consolidation, or do short-term political pressures induce them to make “irresponsible” intertemporal choices? Finally, if the survival of young democracies is at risk, what can and should the foreign assistance community do to

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support them? These are among the questions that we address in this book.

It should be apparent that the topics we cover are at the core of contemporary debates over development policy. With the U.S. government's Millennium Challenge Corporation providing assistance only to democratic states (although its definition of democracy is somewhat elastic), and with the World Bank hammering away on the theme of "good governance," the institutional prerequisites of sustained growth have become central themes within the development community. Nonetheless, it has proved difficult for scholars and public officials alike to offer useful policy advice with respect to which institutions are most vital to developing countries and how these can be put into place. By identifying the "moving parts" within a government's institutional framework that are arguably of greatest importance to long-run growth and political stability, we try to make a contribution both to the development literature and to public policy.

We proceed with our study as follows. In the following chapter we examine the question of what makes young democracies different and thus "deserving" of special study, including their own data set! We examine that question through both theoretical and empirical lenses.

Next, we present descriptive statistics on how the young democracies have fared in practice, making use of our unique data set (which, among other things, is more up to date than the others cited herein, containing every episode of democratization that occurred between 1960 and 2004 and thus including, for example, the former Soviet Union). Additionally, using regression analysis, and specifically continuous time hazard models, we attempt to discern what, if any, characteristics differentiate young democracies that end in reversal (meaning that the democracy reverts to authoritarianism) from those that survive. Here we find that *although certain initial conditions like poverty, inequality, and ethnic fragmentation boost the likelihood that democracy will fail, institutional checks on the power of the executive can help to overcome these challenging*

circumstances and serve to promote policies that reconcile social conflicts over economic and political resources. Furthermore, where checks and balances are absent, and where public policies serve the few rather than the many via redistribution of income, assets, and/or opportunities, even relatively strong growth performance may not save a newly democratic state from reversal.

As we will see, these are significant findings in that much of the prior literature has pointed to the alleged superiority of parliamentary over presidential systems in checking potential abuses of executive power, particularly within young democracies. We find, in contrast, that the extent to which parliamentary forms of government put into place the appropriate checks and balances is not clear. *The question of which institutional forms, along with such noninstitutional checks and balances as a free press, can best prevent the abuse of state power is of fundamental importance to democratic survival.* In short, what all this means is that a change of regime to democracy alone may be insufficient for addressing the deeper political and economic problems a given society faces.

Chapter 3 turns to case studies and discusses notable structural characteristics of newly democratic states in Latin America, Eastern Europe, Africa, and Asia, with an emphasis on why economic performance and regime survival rates have varied across these regions. We observe that credibility problems have frequently prompted politicians in Latin America to adopt shortsighted economic policies in the hope of generating rapid growth, whereas leaders in Africa, also lacking broad-based credibility, have generally resorted to patronage networks to build political support. In the post-Soviet bloc countries, we note the negative effects of resource endowments, notably oil, on political development in several states but also highlight the positive role played by European Union expansion in Eastern Europe in “locking-in” democracy. After discussing the diversity of experience among young democracies in Asia, we close with an analysis of the democratic experiments currently underway in Afghanistan and Iraq. Again, although we emphasize the role of structural factors or initial conditions in inducing certain types of

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institutions and policies, our data lead us to reject any form of determinism; after all, most of the young democracies that have successfully consolidated faced challenging initial conditions at the outset.

One factor that could conceivably facilitate democratic consolidation is foreign aid, and in Chapter 4 we assess the role of the international community in supporting the world's youngest democracies. Our view is that foreign assistance must be reconceptualized in such a way as to tighten the linkages between democracy promotion and economic policy by emphasizing the need for governments to distribute political and economic power. Within the aid regime today, however, democracy promoters try to build up political parties, institutions, and nongovernmental organizations on the one hand, whereas economists focus on what might generally be called "*Washington Consensus*" policies on the other, working mainly through technocrats who, they hope, can make decisions that are relatively independent of the particular government in power. As we will show, that hope may be forlorn – politics matters greatly to economic outcomes – and as a consequence these two arenas should become more closely aligned if donor nations are to help consolidate the world's youngest democratic states. The Millennium Challenge Corporation represents a promising model in that direction, although we express concern regarding some of its beliefs with respect to the political economy of development, as expressed by its "country compacts" with the nations where it has programs.

We conclude the book with a summary of our policy recommendations and our thoughts for further research. Clearly, there is much more work to be done and from a variety of methodological approaches (indeed, we hope our research, which makes use of different methodologies, encourages other scholars to do the same instead of relying on just one single approach). Appendices include a fuller discussion of our own methodology and list the cases of democratization that we analyzed.

We have accumulated heavy debts from many people during the long process of researching and writing this book, and we hope its publication provides at least partial thanks for the time and the ideas they shared

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with us. In particular, we must thank Nancy Birdsall, who as president of the Center for Global Development (CGD) has given this project an intellectual home and who has read every draft of the manuscript with great care. Similarly, Philip Keefer of the World Bank has not only inspired us through his scholarship but he also served as a sharp critic of several earlier drafts. Our thanks are also owed to Larry Diamond, who provided us with greatly needed early encouragement to pursue this study, along with a strong belief that it was worthy of foundation support. Additionally, we wish to thank participants at the June 2006 workshop on “Economic Foundations of Democratic Consolidation,” held at the CGD, and to seminar participants at Duke University; the German Marshall Fund of the United States; the Institute for Defense and Strategic Studies of the National Technological University of Singapore; the Singapore Institute of International Affairs; the University of Texas; and the U.S. Department of State and National Intelligence Council for their comments on earlier drafts of the manuscript. We are also grateful to all those who participated in a small review session of our preliminary findings held at the CGD in October 2006, namely Verena Fritz of the Overseas Development Institute, Philip Keefer of the World Bank, and Joe Siegle of DAI, along with CGD colleagues Nancy Birdsall, Dennis DeTray, Stewart Patrick, and Liliana Rojas-Suarez; additional comments were provided by David Roodman of CGD. The book would not have been possible without an editor and publisher, and in John Berger of Cambridge University Press we were lucky to find an enthusiastic supporter of the project; the anonymous reviewers of the manuscript also gave us useful feedback that greatly improved the manuscript. The Smith Richardson Foundation provided the financial support to the CGD that made this project possible, for which we are most appreciative.

This book is dedicated to Professor Samuel P. Huntington, who is probably the most influential political scientist of the postwar era. Huntington’s work has spanned nearly every subfield of political science, and among his lasting contributions are books on political order in developing societies (1968) and the “third wave” of democratization (1991).

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We have learned much from his work, as the frequent citations here make abundantly clear. But beyond being a renowned scholar, Sam served as an incredibly generous mentor to Ethan B. Kapstein during many years at Harvard and long afterward, for which he is forever grateful.