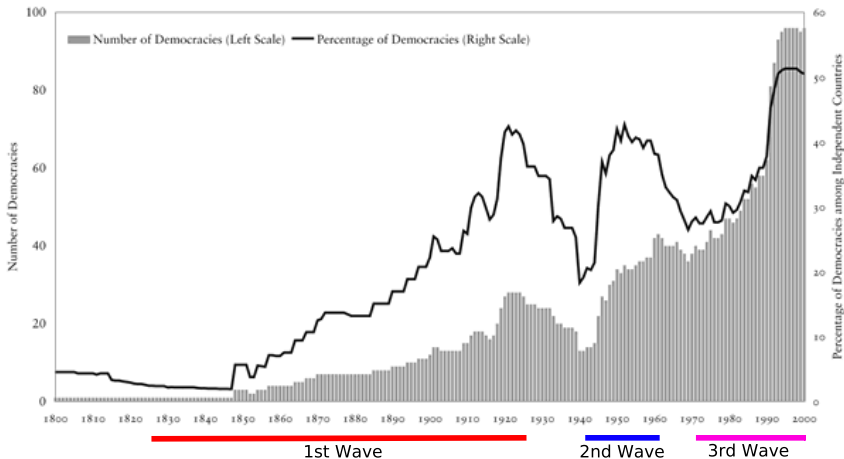


Democracy and Economic Development

Political Science 225
North Dakota State University

Democratic Waves



Why Are Some States Democracies?

Two broad theoretical traditions:

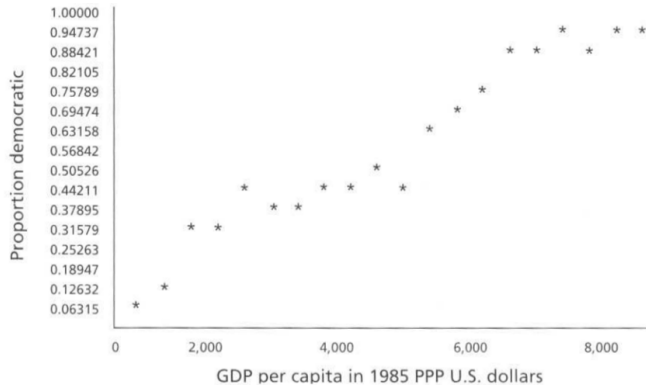
- Economic theories
- Cultural theories

Democratic Transition and Survival

Two core dependent variables:

- Democratic emergence
- Democratic survival

Income and Democracy



GDP, GNP, and PPP

- Gross domestic product
- Gross national product
- GDP per capita
- Purchasing power parity

Modernization Theory

- I.V. Economic development → D.V. Transition to Democracy

Modernization Theory

- I.V. D.V.
- Economic development → Transition to Democracy
- Causal mechanism
 - Emergence of new groups (e.g. middle class, educated)
 - Agricultural to industrial
 - Rural to urban
 - Psychological change (e.g. increased expectations)

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- Evidence
 - High correlation between economic strength and democracy

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- Evidence
 - High correlation between economic strength and democracy
- Policy prescription
 - Liberalize economy and regime will follow
 - IMF, World Bank, Russian reformers

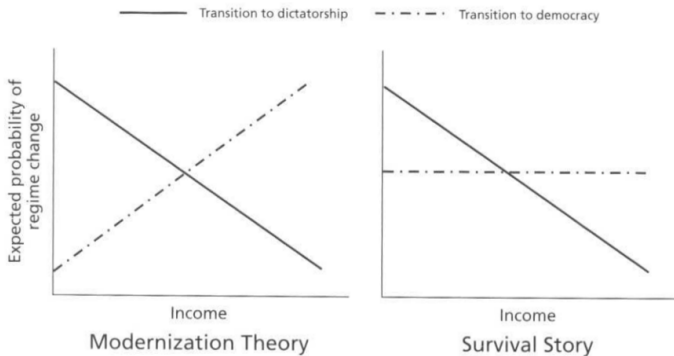
Survival Theory

- I.V. Economic development → D.V. Survival of Democracy

Survival Theory

- I.V. → D.V.
Economic development → Survival of Democracy
- Causal mechanism
 - WC smaller in dictatorship than democracy
 - Transition to dictatorship is risky for wealthy

Modernization vs Survival: Predictions



Modernization vs Survival: Predictions

- Shared implications
- Modernization theory only
- Survival story only

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 - Income $\uparrow \rightarrow$ authoritarian transition \downarrow
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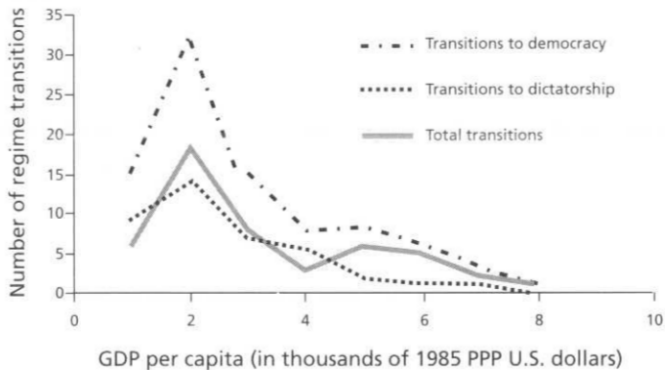
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- What are the critical test(s)?

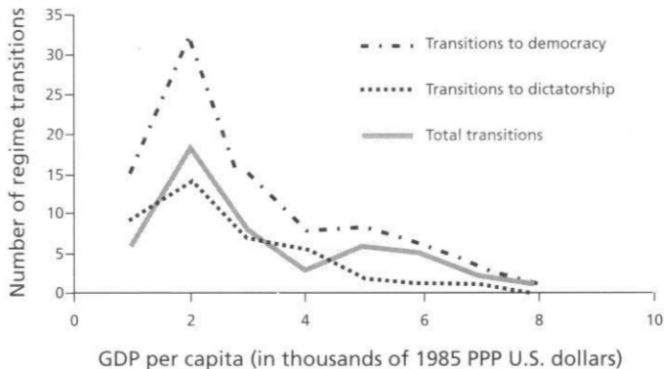
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- What are the critical test(s)?
 - Transition frequency
 - **Relationship between income and transitions to democracy**

Modernization vs Survival: Evidence

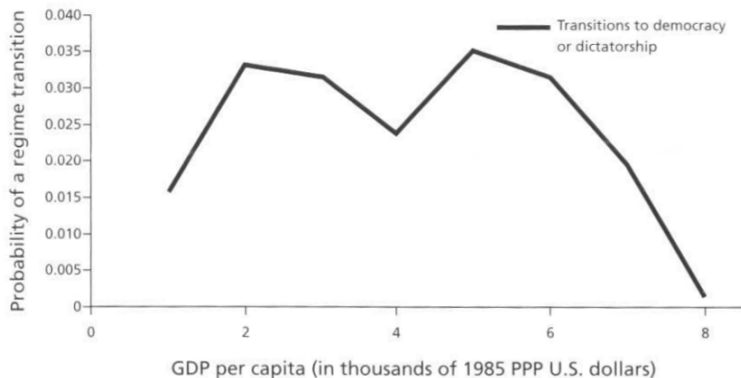


Modernization vs Survival: Evidence



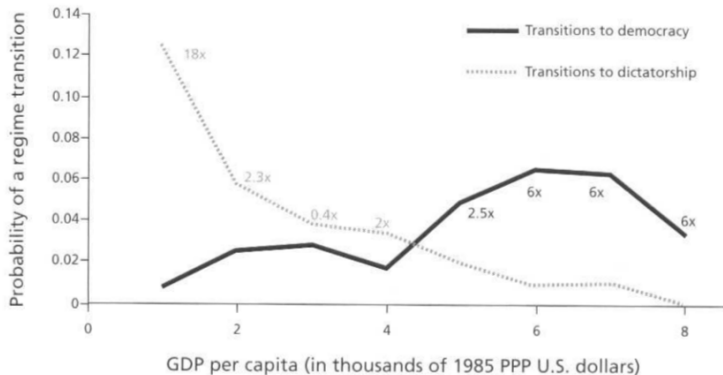
Are raw counts informative?

Modernization vs Survival: Evidence



$$P(\text{Regime Transition} | \text{Income Level}) = \frac{\# \text{ Transitions}}{\# \text{ Country Years}} | \text{Income Level}$$

Modernization vs Survival: Evidence

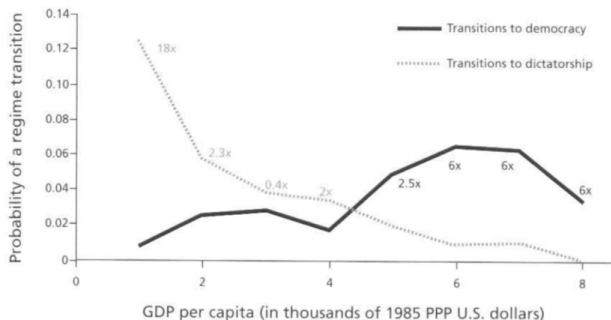


$$P(\text{Democratic Transition} | \text{Income Level}) = \frac{\# \text{ Democratic Transitions}}{\# \text{ Authoritarian Country Years}} | \text{Income Level}$$

$$P(\text{Authoritarian Transition} | \text{Income Level}) = \frac{\# \text{ Authoritarian Transitions}}{\# \text{ Democratic Country Years}} | \text{Income Level}$$

Exercise

Use the provided data to create a graph like the one below. Break GDP up into 5 categories (1000-2000, 2000-3000, ..., 5000-6000).

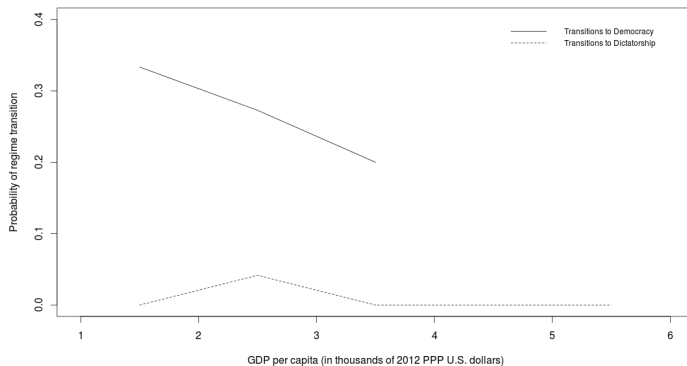


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Exercise: Results

	1-2K	2-3K	3-4K	4-5K	5-6K
Dem Trans	1	3	1	0	0
Auth Years	3	11	5	0	0
Auth Trans	0	1	0	0	0
Dem Years	8	24	8	7	4



Development, Predation, and Institutional Development

- Crown autonomy and gentry exit options
- Fixed vs liquid assets
- Quasi-rents and extraction
- Rentier states and the resource curse

Statistical Evidence

Dependent variable: Probability that a country will be a democracy this year if it was a dictatorship last year.

Independent variables	1946–1990	1946–1990	
GDP per capita	0.00010*** (0.00003)	0.00010*** (0.00003)	← Coefficient ← Standard error
Growth in GDP per capita		–0.02*** (0.01)	
Oil production		–0.48** (0.24)	
Constant	–2.30*** (0.09)	–2.27*** (0.09)	
Number of observations	2,407	2,383	
Log-likelihood	–233.01	–227.27	

Source: Data are from Przeworski et al. (2000).

Note: Robust standard errors are in parentheses.

* = greater than 90% significant.

** = greater than 95% significant.

*** = greater than 99% significant.

Statistical Evidence

Dependent variable: Probability that a country will be a democracy this year if it was a democracy last year.

Independent variables	1946–1990	1946–1990
GDP per capita	0.00020*** (0.00004)	0.00020*** (0.00004)
Growth in GDP per capita		0.04*** (0.01)
Oil production		–0.21 (0.269)
Constant	1.13*** (0.13)	1.12*** (0.13)
Number of observations	1,584	1,576
Log-likelihood	–149.71	–144.11

Source: Data are from Przeworski et al. (2000).

Note: Robust standard errors are in parentheses.

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