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## **Liberalization First, Democratization Later: The Linkage Between Income Inequality, Economic Development, and Democratization**

Yi-Tzu Lin

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LIBERALIZATION FIRST, DEMOCRATIZATION LATER: THE LINKAGE BETWEEN  
INCOME INEQUALITY, ECONOMIC DEVELOPMENT, AND DEMOCRATIZATION

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## DEDICATION

To my parents, my wife, and my daughters.

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## ABSTRACT

This dissertation proposes a model of two-stage process of democratization. In the first stage, income inequality is associated with political liberalization, but this association is conditional on economic development. In the second stage, political liberalization is associated with democratization. By looking at 125 authoritarian regimes from 1960 to 2010, I find that in rich countries, high income inequality is associated with low political liberalization, which may stabilize autocratic regimes; while low income inequality is associated with high political liberalization. In poor countries, high income inequality is associated with political liberalization, while low inequality has no effect.

In the second stage, I find that political liberalization, such as electoral component, liberal component, and participatory component of democracy are associated with democratization. These components of democracy may help citizens to develop pro-democracy attitude. This research attempts to extend the understanding of the relationship between income inequality, economic development, and democratization by including political liberalization.

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# CHAPTER 1

## INTRODUCTION: THE MYTH OF DEMOCRATIZATION

In this dissertation, I suggest that we may think democratization as a gradual changing process from autocracy to democracy. That is, an autocratic regime may become more politically liberalized in the first place, and later becomes democracy. In this democratizing process, I propose that income inequality is associated with political liberalization, however, this association is conditional on levels of economic development. For citizens, their demands of property right protection and income redistribution are based on the interaction between income inequality and economic development. In order to achieve these demands, citizens may need more political powers to complete these tasks. Therefore, this dissertation proposes a two-stage process of democratization. In the first stage of the process, income inequality is associated with political liberalization, but the effect is conditional on economic development. In the second stage of the process, political liberalization is associated with democratization.

Take Taiwan: During the Martial Law period (1948–1987), the KMT government prohibited the formation of new political parties and also suspended national elections, including Legislative Yuan Elections and National Assembly Elections. However, the KMT government maintained local elections since 1950, such as city and township mayor and council elections, which were introduced during the Japanese colonial period.<sup>1</sup> Citizens on Taiwan also voted directly for the representatives of the

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<sup>1</sup>However, some of the higher levels of local elections where are suspended, such as Taipei Mayor Election, Taiwan Province Governor Election.

Legislative Council for the Taiwan province. We can see that even under autocratic rule, the KMT government still allowed some forms of democratic institutions.

In 1969, the KMT government announced the first “supplementary” legislative election to fill in vacant seats in the Legislative Yuan, but this election was still far from free and fair. The KMT government continued to hold supplementary elections every three years until 1989 after the end of the Martial Law. Before ending the Martial Law, the independent candidates already formed an informal party organization called “Dangwai”, meaning outside of the KMT party, to participate in the political process, especially in elections. In 1986, the Dangwai politicians announced the formation of the Democratic Progressive Party (DPP) in Taipei. In the end, the KMT government did not take any actions to crack down the DPP. Instead, in the next year, the KMT government officially ended the Martial Law.

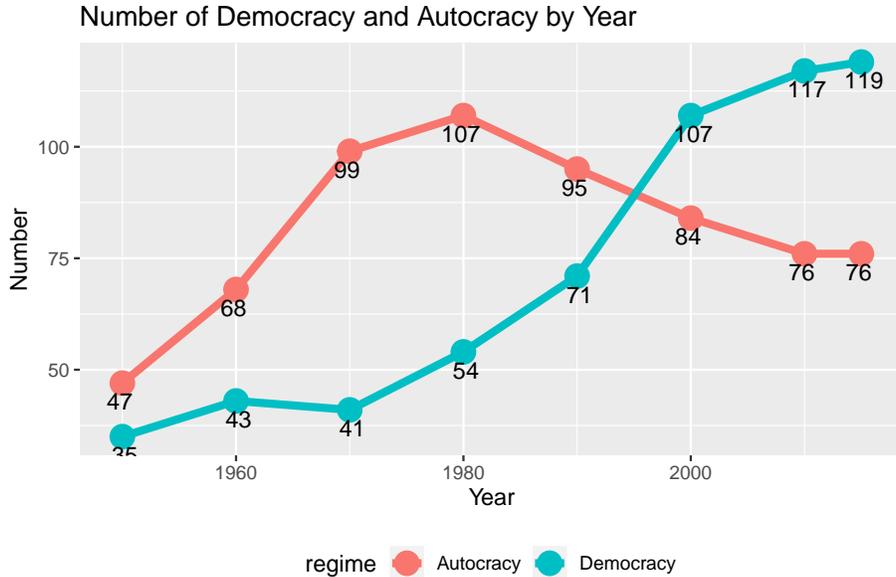
After lifting the Martial Law, Taiwan launched series of political reform, but these reforms took awhile to be achieved. That is, Taiwan gradually liberalized the politics before Taiwan became a democracy. From an electoral perspective on democracy, political reforms in autocracies promote a more free and fair election. Taiwan held the first multi-party national election for the National Assembly in 1991 and the first multi-party national legislative election in 1992. In 1994, Taiwan also had elections for Taipei City Mayor, Kaohsiung City Mayor, and the Governor of Taiwan Province. Eventually, Taiwan held its first free and fair presidential election in 1996, which is the year of democratic transition for Taiwan that identified by many scholars (Cheibub, Gandhi and Vreeland, 2010). Also from a civil liberty perspective, many civil liberties became protected by laws during this period, such as freedom of speech and freedom of press. At the meantime, the KMT government became more constrained by The Additional Articles of the Constitution, which were constitutional amendments to the original constitution. Lastly, from a participatory perspective, citizens are free to form civil organizations and more social and political groups.

Taiwan gained a notable economic growth during its political transition period from the 1970s and the 1990s. Most scholars attribute the success of the democratic transition in Taiwan to economic prosperity (e.g. Cheng, 1989; Huntington, 1991). They argue that economic development brought the fast growing of civil society organizations, higher education, middle class, and so on, which are central elements to democratization. However, many of them downplay the effect of income inequality and may overestimate the effect of economic development. Economic development is certainly very important, but income inequality is also important in shaping the meaning of economic development. For example, an equal and rich society means citizens are equally rich. But an equal society can also mean citizens are equally poor when the economy is bad.

In sum, I observe two important perspectives of democratization from Taiwan's democratic transition, and this may be generalizable to other democratization cases. First, democratization involves the increase of levels of political liberalization. This means that democratization can also be a slow and progressing movement, which starts from low levels of political liberalization to high levels political liberalization. Second, the effects of income inequality and economic development are associated with political liberalization. However, both effects do not work independently, their interactions may associate with different levels of political liberalization. Therefore, in this dissertation, I propose that the process of democratization is a two-stage process, that countries accrue political liberalization in the first stage, and they become democracy in the second stage.

## 1.1 DEMOCRATIZATION IN THE WORLD

In the last half century, democracy has gone up from a relatively rare form of government to a major political institution which has been adopted by most countries in the world. The change began in Southern European countries in the late 1970 and



**Figure 1.1:** Total Number of Democracy and Autocracy: 1950-2010. Source: Democracy and Dictatorship dataset

this trend spread to Latin American, Asia, and the rest of the world. As described by Huntington (1991), he optimistically assumes that this wave of democratization will become an unstoppable global trend. Samuel Huntington might be correct. Figure 1.1 depicts the number of democracies and the number of autocracies from 1950 and 2010, using a dataset from Cheibub, Gandhi and Vreeland (2010). There is a clear trend to show that the total number of independent countries and the total number of democracies have increased significantly since 1960s. This third wave of democratization means more citizens across the globe are now able to speak freely and elect their own government.

After World War II, many countries gained its independence. Even though not every newly independent country was democracy once they gained independence, the increased number of the independent countries still gives us chances to witness the increased number of examples of the transition from autocracy to democracy. There were two major historical events that may explain why there were increased number of independent countries. The first major event is decolonization from formal European

colonizers. Decolonization is a fundamental right to self-determination proposed by the League of Nations and the United Nations, which gives former colonies a new path to become independent countries (McWhinney, 2007). In the 1960s and the 1970s, the former European colonizers, such as the United Kingdom, France, Spain, Portugal, and Belgium, recognized the independence of most of their colonies in Africa. In other parts of the world, those former empires also gradually recognized their colonies' independence. According to the United Nations, this self-determination policy encouraged many countries to gain independence, therefore, the number of independent countries increased from eighty-two in 1958 to one hundred and twenty-seven in 1970.

The second major event that contributed to the increase of the independent countries was the collapse of the Soviet Union after 1989. Many of the former Soviet Union Republics in Eurasia and Eastern/Central Europe gained independence, such as Lithuania, Belarus, Kazakhstan, and so on. The number of the independent countries thus increased from 159 in 1990 to 185 in 1994.<sup>2</sup> These two major events provide a good explanation for why there were more and more independent countries. They also give us the opportunity to observe more and more democracies in the world.

Even though Samuel Huntington made a prediction that more and more countries will become democratic, but Haggard and Kaufman (2016*a*) suggest that democratization is a relatively rare event (129). In 2010, approximately forty percent of the countries in the world still remained un-democratic.<sup>3</sup> Moreover, according to the dataset constructed by Cheibub, Gandhi and Vreeland (2010), from 1960 to 2010, only 110 autocracies experienced a transition to democracy in a dataset of over 4000 observations.<sup>4</sup> It seems to us that even though the number of democracies had

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<sup>2</sup>Other non-former Soviet Union countries also contributed to the increased number of independent countries in the 1990s. For example, former Yugoslavia states, Namibia in 1991, etc.

<sup>3</sup>This number is consistent across different datasets, such as PolityIV and Freedom House.

<sup>4</sup>Some countries experienced multiple transitions. For example, Thailand in 2001, 2006.

increased, the substantial number of autocracies suggests that democratization is not easy to achieve. Given the optimistic view on the future of democracy by scholars, why and how is the transition to democracy a difficult and a rare event? What type of country is more likely to become a democracy and what type of country is less likely to become a democracy? Based on many of the democratization theories, we would expect to see some countries become democracies when they fit into categories such as high income inequality or high economic development, instead of letting the autocrats continue to rule. But these theories still remain controversial in explaining democratization, so what has been missed in these theories? In other words, why have some countries transitioned to democracy, while others never have, even though a lot of them have met the expectations that scholars suggested?

## 1.2 EXISTING EXPLANATIONS

Where does democratization comes from? From a theoretical perspective, scholars have pointed out several key explanations that would contribute to democratic transition. These key variables elaborate the interactions between different actors in the society, and construct different theoretical frameworks to explain democratic transition.

There are two major democratization theories, modernization theory and redistributive conflict theory, that both have provided insightful and reasonable theoretical framework to explain why and how autocracy transitions to democracy. Modernization theory mainly focuses on the relationship between the economy and democratization (e.g. Boix and Stokes, 2003; Lipset, 1959), while redistributive conflict theory proposes that democratization is correlated with income inequality (e.g. Acemoglu and Robinson, 2005; Boix, 2003). Modernization theory explains why citizens favor democracy when their country becomes wealthier. Scholars argue that a wealthier society means more urbanized and educated nations, which are highly correlated with

the transition to democracy. However, empirical evidence that tests modernization theory has been mixed (Przeworski et al., 2000). In some rich countries, there is no sign of the transition to democracy, such as Singapore. Moreover, democratic transitions have happened in many poor countries, including the Philippines, Mongolia, Ghana, and some Eastern European countries after the collapse of the Soviet Union. In sum, from empirical evidence, there is no consistent and strong evidence to support modernization theory.

Redistributive conflict theory provides an alternative framework to explain democratization. Acemoglu and Robinson (2005) propose that society can be divided into two groups based on their income, which shapes their preferences for the institutional form of the government. For poor citizens, they prefer democracy because of its credibility of redistributing income in the future, while the elites prefer to remain with autocratic rule since that would enable them to maintain their power. Inequality increases demand for democracy by the poor, which forces the rich to choose democratization whenever the poor pose a credible revolutionary threat. However, the evidence for the relationship between income inequality and democratization is also mixed (Houle, 2009; Albertus and Menaldo, 2012).

### 1.3 WEAKNESSES OF THE EXISTING EXPLANATIONS

As I mentioned above, there is only weak empirical evidences to support for modernization theory and redistributive conflict theory. Also, most empirical studies on both theories did not suggest other alternatives to explain the causes of democratization (Houle, 2009; Albertus and Menaldo, 2012). Therefore, I will identify what existing scholarship missed and the weakness in their theories, and then I will provide some solutions to improve the theories. In addition to modernization theory and redistributive theory, this new model may be one of the paths toward democratization.

### 1.3.1 THE MEANING OF INCOME INEQUALITY

For the existing findings, they could be grouped into two problems. The first problem is that scholars assume all levels of income inequality and all levels of economic development are the same. In reality, income inequality means different things at different levels of economic development. For example, Nepal and Sweden both have relatively low income inequality, meaning that the wealth is distributed fairly. But Sweden was a rich country and Nepal was a poor country, this means that citizens in Sweden were equally rich and citizens in Nepal were equally poor.

The combination of the both economic indicators makes these two economic indicators different from what they were originally assumed. This combination implies that income inequality may bring different political implication at different levels of economic development. Many studies ignored the importance of this joint effect of income inequality and economic development on democratization, except Houle (2016). Thus, my solution to the first weakness is to combine redistributive theory and modernization theory, this will discuss the joint effect of income inequality and economic development on the process to transitioning to democracy.

### 1.3.2 POLITICAL LIBERALIZATION BEFORE DEMOCRATIZATION

The second problem of the existing research is the conceptualization of the progress of democratization. I find that some studies treat democratization as a rapid regime change when testing the relationship between their variable of interests and democratization, especially for the cases of third wave of democratization. However, the transition to a democracy may sometimes require multiple political reforms in order to become a democracy.

Therefore, I theorize that countries after the 1960s may experience the increased of political liberalization before becoming democracy. Political liberalization is central to the relationship between income inequality, economic development, and democra-

tization, meaning that political liberalization helps countries to move to democracy. What is new in my theory is that democratization in the third wave may not happen within a short period because it relies on a constant interaction between different actors, such as mass public and the autocratic government. Without increasing the levels of liberalization at the first stage, it may not be easy for the opposition to pressure the autocracy to become a democracy. In sum, the conditional effect of income inequality and economic development does not always directly lead to democracy.

#### 1.4 TWO-STAGE PROCESS TO DEMOCRACY

In order to provide an alternative theoretical framework to explain democratic transition, this dissertation proposes a model of two-stage process of democratization to connect income inequality, economic development, political liberalization and democratization. In this model, countries may have experienced the increase of political liberalization, with such important power in hand by the opposition, the likelihood of becoming a democracy thus may increase significantly in the second stage.

##### 1.4.1 FIRST STAGE: INCOME INEQUALITY, ECONOMIC DEVELOPMENT, AND POLITICAL LIBERALIZATIONS

When and how does an autocratic country become more politically liberalized, such as more free and fair elections and more civil rights? In this dissertation, I propose that both income inequality and economic development are associated with a greater political liberalization in the first stage. Most importantly, the effect of income inequality on political liberalization is conditional on levels of economic development. Even though Miller (2012) points out that rich autocracies are less likely to democratize because rich autocracies have the ability to build and maintain a hierarchical society, but not all rich autocracies are the same. For example, some rich autocracies redistribute income relatively fairly, such as South Korea in the 1980s, while other

rich autocracies may not do the same, such as current Singapore and Mexico in 1999. It is not only rich autocracies that can develop hierarchical society, poor autocracies can also develop hierarchical societies using their limited resources when income inequality is high. These differences, rich and poor, and low and high income inequality, may bring about different consequences of democratization because income inequality and economic development are associated with political liberalization.

For citizens, the primary goals or demands may include property right protection, more economic opportunities, and income redistribution. However, citizens' demands may not all be the same in different autocratic regimes at different levels of income inequality and economic development. That is, the interaction of income inequality and economic development may influence the formation of the demands.

In the first stage of my model, citizens generally do not ask for immediate regime transition, instead, they ask for more political powers and civil rights, such as more voting rights, freedom of speech, freedom of assembly, and more, which could temporarily meet their demands. An immediate regime transition means removing the autocracy from the government immediately, which is an unacceptable option for the autocracy. Once citizens achieved their primary goals, they may choose to slow down their actions or temporarily suspend the demand for more political liberalization. But it does not mean they will always stop after achieving the initial goals.

Once the initial demands had been fulfilled, the incentive and motivation to protest may decrease. Citizens also acknowledge that more actions will put them in danger. If they continue to ask for more political liberalization, then they may face serious of punishment from the autocratic government. For the autocratic government, if they concede to grant more political powers to citizens after the country became more politically liberalized, it will post higher risks of removing the autocracy from the government. Therefore, they are less likely to choose to compromise with the opposition again.

1.4.2 THE MOTIVATION OF REBELLING BASED ON INCOME INEQUALITY AND ECONOMIC DEVELOPMENT

As mentioned above, citizens may look for property rights protection, more economic opportunities, and income redistribution by having more political powers. So under what conditions do citizens become more motivated to ask for opening up politics and more civil liberties? Under what conditions does an autocracy agree to grant those rights to citizens? Based on income inequality and economic development, I categorize each of them into high and low levels, which creates a two by two combination as shown in Table 1.1.

IN RICH AUTOCRACIES

First of all, in a relatively rich autocracy, equal society is associated with higher political liberalization. In this type of country, the wealth is distributed relatively fairly, implying that citizens are equally rich. In general, economic development comes with property rights protection. However, the autocratic government’s promise is not always credible because they might still take away citizens’ property. Therefore, citizens may prefer to have more access to the decision making process in order to protect their property right from the confiscation from the autocratic government. Also, citizens in this type of country have more resources to fight against the autocracy due to low income inequality and high income, which may give them more chances to successfully ask for more political and civil rights and potential solve the collective action problems.

**Table 1.1:** Classifying Countries Based on Income Inequality and Economic Development

	Equal society	Unequal society
Poor Autocracy	Low hierarchical society No changed	Low hierarchical society Increased political liberalization
Rich Autocracy	Intermediate hierarchical society Increased political liberalization	High hierarchical society decreased political liberalization

On the other hand, when inequality is high in rich autocracies, citizens expect property right protection for the limited wealth they have and income redistribution from the rich. Due to high income inequality, citizens are facing a strong autocratic government that most of the resources are controlled by this rich autocracy. Even though citizens are also looking for being part of the decision making process, but a strong autocratic government deters citizens from forming a strong opposition. The autocratic government could choose to liberalize politics first, such as some non-free-and-fair elections, to eliminate the intention of revolting if liberalization is less costly. However, giving too much political rights increases the cost of repression, the autocracy will stop liberalizing after the first few concessions to prevent the formulation of stronger opposition. In this type of autocracy, government's capacity of repression always outweighs citizens' capacity to revolt (Houle, 2016). For example, the autocracy has the ability to build a hierarchical society to maintain their ruling because citizens are more inclined to obey the hierarchy in order to receive more economic opportunities (Miller, 2012; Solt, 2008).

#### IN POOR AUTOCRACIES

In poor autocratic regimes, unequal society is associated with high political liberalization. The society has only "limited" economic resources to be shared and they are concentrated in the hands of the rich. Compared to rich autocracies, poor autocracies are relatively difficult to build a hierarchical society to maintain their ruling because the rich do not have enough resources to do it. For citizens in such poor and unequal society, they acknowledge that high inequality put them into the worst situation. Thus, they may ask the autocracy for income redistribution and more development, which may be potentially helpful for them to change the current situation.

Lastly, poor and equal autocracies are associated with political liberalization. The wealth is scarce and has already distributed fairly to citizens. There are no

more resources to be redistributed from the rich. In this type of country, there is no relationship between income inequality, economic development, and political liberalization. Table 1.1 lays out the predictions of political liberalization and the level of the hierarchy based on levels of income inequality and wealth. However, a gap is still standing between political liberalization and democratization in the first stage. In order to bridge this gap, I propose that autocracy's ability to resist democratization and mass public's ability to organize are critical to this final step, meaning that different types of political liberalization are associated with democratization.

## 1.5 SECOND STAGE: DEMOCRATIZATION WITH POLITICAL LIBERALIZATIONS

After countries experienced more political liberalization at the first stage, the effect of income inequality and economic development may continue to contribute to more political liberalization, while political liberalization may also affect democratization. Since democratization is a dynamic movement, countries with increasing high levels of political liberalization are still moving toward democratization. At the second stage, political liberalization becomes critical in associating with democratization.

This dissertation uses minimalist dichotomous measure of political regime to define democratization. Both the executive and the legislature are popularly elected and there must be more than one party competing in the elections (Cheibub, Gandhi and Vreeland, 2010), which is closed to the assumptions of polyarchy that were proposed by Dahl (1973). There are three aspects of political liberalization that may associate with democratization, which include electoral, liberal, and participatory component of democracy (Coppedge et al., 2019). All three components of democracy may help citizens to better coordinate opposition movements and weaken the autocratic government. Eventually, democratization becomes more likely.

When and why do citizens prefer democracy in the second stage when they have more political and civil rights? First, with the experiences of living under semi-

democratic rule, political liberalization may help citizens to develop a pro-democracy attitude (Miller, 2012), which may breakdown the hierarchical society that was build by autocracy when income inequality was high. It may essentially shift citizens' support from an autocratic rule to a democratic rule. Second, high political liberalization implies higher capacity for citizens to coordinate collective actions. It also implies that repression becomes more costly for the autocratic government, at the mean time, the cost of toleration goes down. Hence, citizens may have more incentive to revolt and they have more ability to coordinate the movement. However, not every authoritarian regime with high political liberalization can successfully become democracy. For example, elections in autocratic regimes may also stabilize its rule (Lindberg, 2009), especially when income inequality is high.

This dissertation elaborates democratization theory by arguing that political liberalization may increase at different levels of income inequality and economic development. These conditions may help citizens to develop and shape pro-democracy attitudes under autocratic rule through socialization, which may empower them to organize. For the autocratic government, some of these conditions may raise the cost of repression and weaken their ability to repress.

## 1.6 PLANS OF THIS DISSERTATION

Chapter 2 reviews existing work on the relationship between income inequality and democratization, the relationship between economic development and democratization, and other sources that may contribute to or inhibit democratization. I then outline the theoretical mechanisms behind theories on democratization.

Chapter 3 and Chapter 4 provide the theoretical framework of the two-stage process of democratization. It is a modified theory to explain democratization based by incorporating redistributive conflict theory and modernization theory. It proposes that political liberalization comes first and democratization may happen later. I out-

line why both economic development and income inequality under autocracies may change citizens' preferences from status quo to a more politically liberalized government. I then detail the circumstances under which they may effectively increase political liberalization and eventually exit dictatorship. Chapter 3 and 4 also outlines how autocracies response to citizens' demands and how they utilize semi-democratic institutions to prevent democratization.

Chapter 5 discusses and justifies the strategy employed to analyze the relation between income inequality, economic development, political liberalization and democratization. In particular, this chapter outlines the sources of the datasets because my variables come from different research projects. I will also provide details of how and why I use those variables.

Both Chapter 6 and Chapter 7 test many of my theory's main empirical implications. I empirically model the democratic transition process by unpacking democratization into two stages: the increase of political liberalization in the first stage by looking at the effect of income inequality and economic development, and democratization in the second stage by examining the effect of political liberalization.

Chapter 6 mainly presents the results of how the joint effect of income inequality and economic development contribute to greater political liberalization. I find that high income inequality is associated with high levels of political liberalization. Economic development, which is measured by GDP per capita, is also associated with high levels of political liberalization. However, the interaction of economic development and income inequality has a negative effect on political liberalization, suggesting that a rich and unequal autocracy does not increase political liberalization.

Chapter 7 tests how different types of political liberalization is associated with democratization. There is an association between political liberalization and democratization but I demonstrate that not every type of political liberalization contributes to a higher likelihood of democratization.

Chapter 8 briefly summarizes findings of this dissertation and then outlines any implication by the two-stage process of democratization. This chapter also discusses reflections on democratization theory and the contribution of this dissertation on democratization.

## CHAPTER 2

### FACTORS OF DEMOCRATIC TRANSITION

This chapter discusses the literature of democratic transition. The first part of this chapter focuses on the political economy approach, which discusses how economic factors, such as economic development and income inequality, are associated with democratization. Meanwhile, I will also discuss how scholars test these theories to see if the evidences support them. The second part of this chapter discusses other important factors that may contribute to democratization along with factors that inhibit democracy. These theories includes political institutions and democratization, cultural factors and democratization, and others.

#### 2.1 TRANSITION TO DEMOCRACY

In the modern world, under what conditions, does democratic advancement becomes more likely to happen? Why are some autocratic regimes established with characteristics conducive to democratization while other autocratic regimes remain authoritarian rules? The questions of the basic preconditions of democracy have been debated for several decades. Regardless of the controversial debates, in the last few decades, scholars of comparative democratization have gained fruitful findings by utilizing different research methods: from large-N statistical investigations to in-depth case studies, which had widened our knowledges on democratic transition.

Many scholars of comparative democratization examine how political economy factors, such as economic development and income inequality, are associated with democratization. Take modernization theory. Modernization theorists have asserted the

primacy or even the supremacy of socio-economic development on democratization. Basically, they assert that the development of the economy transforms the structure of the society, which will change citizens' preference from autocratic rule to democracy. While redistributive conflict theorists assume that the distribution of wealth in the society is critical to citizens preferences on regime choices. Other than these two economy related approaches, some scholars focus on political institutions, international relations, culture, religion, ethnic diversity, and natural resources, to examine whether these factors advance or hinder the prospects of democratic transition.

For democratization theories, many scholars have identified that some factors hinder democratic transition, but we still have limited knowledges to figure out the reason why democratization emerges, especially when we are trying to explain it by using political economy approach. As of today, our understanding of democratization is, however, far from completed. That is, the empirical studies have not yet to provide solid evidences to support modernization theory and redistributive conflict theory.

## 2.2 POLITICAL ECONOMY AND DEMOCRATIZATION: ECONOMIC DEVELOPMENT AND INCOME INEQUALITY

Modernization theory and redistributive conflict theory are the two major democratization theories that mainly focus on how economic related factors are associated with democratization, where modernization theory focuses on the relationship between economic development and democratization, and redistributive conflict theory discusses the relationship between income inequality and regime transition. Both democratization theories provide clear theoretical frameworks, that they condensed the path from authoritarian regime to democratic regime in order provide a better picture to explain democratization. These two major theories have made contributions to the field of democratic transition. They continue to help scholars and policy makers to understand how and why democracies emerged. However, the path from

autocratic regimes toward democratic transition is far more complicated than the theories scholars constructed.

The efforts of trying to find evidence to identify the relationship between economic development/income inequality and democratization is great, but the inconsistent empirical findings lead us to think about what factors are missing in both theories. For example, the foundational works by Boix and Stokes (2003) and Przeworski et al. (2000) argued that economic development has little to no effect on democratic transition for countries in the period of the post World War II. On the other hand, more and more redistributive conflict scholars discussed the effect of income inequality on democratization by using both large-N and case studies. Their results are also inconsistent, some of them found no relationship, or only a weak relationship, between income inequality and democratization (Barro, 1999; Houle, 2009; Teorell, 2012), while some of them found negative (or positive) relations when interacting with other factors (Ansell and Samuels, 2014; Boix, 2003; Freeman and Quinn, 2012). Haggard and Kaufman (2012) have mixed finding, which shows that some countries transitioned to democracy due to redistributive conflict, and some were led by elites.

### 2.3 ECONOMIC DEVELOPMENT AND DEMOCRATIZATION

Recent research on the economic models of democratization has become more sophisticated than decades ago due to the use of new datasets and new developed statistical models. These empirical findings may all build on a primary research by Lipset (1959), who observed a strong correlation between democracy and levels of economic development. His foundational research started a debate over the relationship between economic development and democratization. Before Lipset, most scholars used more philosophical fashioned methods to study it, that is, Lipset's research is perhaps the first research that systematically investigate the relationship between economic development and democracy. Since Lipset published his seminal work, more and more

scholars started to conduct large-N studies, which have suggested various processes of democratization through economic development related channels, such as education and urbanization. Since citizens have acquired some knowledges and techniques, therefore, these various channels will lead citizens to demand for democracy (e.g., Barro, 1999).

Recent research also confirmed what we thought we knew several decades ago: richer countries are more likely to be democratic (Barro, 1999; Burkhart and Lewis-Beck, 1994). The economic development explanation has been accepted to explaining those newly democratized countries from 1970s to 1990s, which is marked as the third wave of democratization (Huntington, 1991). Huntington (1991) agreed with the argument that economic development is not a determinative factor for democratization. Instead, he proposed that middle income countries are more likely to become democracy, such as South Korea and Taiwan. However, economic development still plays an important mediating role that economic development provides a fertile land to facilitate democratization and to destabilize autocratic rule.

In other words, much of this research assumes that citizens want democracy and they can achieve democracy as they gained more power from economic development. Based on modernization theory, Diamond (2012) even projected that most Asian countries, including China, are more likely to become more liberalized or even a democracy in a few decades. Asian countries, such as Singapore, Malaysia, and China, are all have high chances to become more democratic in the next generation (Diamond, 2012).<sup>1</sup>

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<sup>1</sup>However, Larry Diamond overestimated the likelihood of democratization in these countries when he referred to only one or two critical events. For example, he showed that the seats that the oppositions had won in the 2011 election signaled a critical change for Singaporean government. Actually, the incumbent party, the People's Action Party, won over 94% of the seat and the opposition parties only gained less than 15% of the vote, which does not consider as a real victory for the opposition. This is not enough to claim a bright future of democratization in Singapore. That is, even though modernization theory assumes that citizens may want democracy when they are rich, but we cannot forget that some people, such as the government, are reluctantly to give up their powers.

Controversy continues about whether economic development increases the likelihood of transitions to democracy. The third wave of democratization provided more cases for scholars to study democratic transition. But we still have little to understand the relationship between economic development and democratization when we are looking at empirical evidence. For example, Przeworski and Limongi (1997) and Przeworski et al. (2000) argue that there is no causal relationship between economic development and democratization, that democratic transition can emerge for many reasons. Przeworski et al. (2000)'s findings is a milestone for democratization theory that pointed out that there are no systematic explanations to understand democratic transition. When is economic development associated with democracy? Przeworski et al. (2000) found that economic development is correlated with democratic consolidation. Rich democracies never returned to authoritarian regimes, which suggests that economic development may stabilize a democratic regime. Przeworski et al. (2000) also showed that no democracy has ever collapsed above a GDP per capita of \$6,055, Argentina's level in 1975.

Scholars have a consensus that economic development does not "cause" democratization. Therefore, what we know about the relationship between economic development and democratization is now more clear. However, other scholars started to challenge Przeworski et al. (2000)'s argument. Boix and Stokes (2003) expanded the dataset, which included countries between 1850 and 1950, and the results showed that economic development is an important factor that contributes to democratization prior to 1950. For countries in post-1950 period, however, economic development still has only little effect on democratization, which is consistent with Przeworski et al. (2000)'s findings. Other scholars like Epstein et al. (2006), found that development is associate with democratization. This association happens especially when countries transition from "partial democracy" to "full democracy," but economic development has less effects on transitions from "full autocracy" to "full democracy."

More and more scholars put efforts on investigating the relationship between economic development and democratization, despite the widely accepted consensus that development does not cause democracy. Most of them examined this relationship by using a higher quality of datasets and new statistical models. Specifically, both Miller (2012) and Treisman (2015) found that economic development has effect on democratization when there is a regime instability or government weakness. When there was a violent leader turnover, it helps citizens to perceive a message that the the government can be weak and unstable to resist democratization(Londregan and Poole, 1996; Miller, 2012).

Moreover, economic development can serve as a coordination signal for regime opponents, meaning that this coordination signal helps opponents to solve collective action problems (Miller, 2012). Treisman (2015) further suggests that economic development is associated with more democratic politics in the medium run and only after an incumbent autocrat leaves office. In the short run, since the government benefits from economic growth, a rapid economic growth may increase autocrats' chance of survival. Later in Treisman (2019)'s article, he proposed a conditional modernization theory to identify some certain conditions along with development that may promote democracy. He showed that economic crises, military defeats, or leader change are associated with democratization.

Based on what scholars have done, we may conclude that economic development is still correlated with democratization, but the relationship continues to remain vague. This also leads scholars to optimistically assume that some developing countries have the potential to become democracy. As I have discussed above, based on modernization theory, Diamond (2012) claims that a wave of democratization will likely turn most East Asian countries to democracies within a generation. However, as of today, we still can see the importance of economic development on democratization under different circumstances.

## 2.4 INCOME INEQUALITY AND DEMOCRATIZATION

Redistributive conflict theory moves away from focusing on how rich the society is to the fairness of the distribution of wealth in society. Specifically, this school of theory also considers elites' incentives to deny democratization and models democratization as a strategic interaction between rich elites and poor citizens (Acemoglu and Robinson, 2005; Boix, 2003; Haggard and Kaufman, 2012). Specifically, they see authoritarian rule as a means of sustaining income inequality between classes.

For poor citizens in an unequal society, they become the median voter and they prefer high taxes in order to redistribute wealth from the rich. The more unequal the wealth distribution, the more confiscatory the tax rate can be expected. However, the rich have strong incentive to defend their property and political rights by using repression when income is highly concentrated. Hence, the rich do not always agree with new tax rate, unless there is a "credible" violence or revolution. The reason for poor citizens to get together and ask for political reform is because democracy, as an institution, ensures more income redistribution and more assets protection, which is available to every citizen (Acemoglu and Robinson, 2005). For redistributive conflict theory, Boix (2003) and Acemoglu and Robinson (2005) both made great contributions to explaining the relationship between income inequality and democratic transition. They both argue that elites' fear for redistribution is critical to democratization, they both theorized that rich elites fear less when the wealth is distributed relatively fairly because median voter's preference with regard to taxes will then be less confiscatory.

Boix (2003) expects a linear relationship between income inequality and the likelihood of democratization. This means that society with low income inequality is more likely to democratize because it reduces the expected redistribution under democratic government. With lower levels of income inequality, elites have fewer incentives to resist democracy as the costs of redistribution are lower.

Besides income inequality, Boix (2003) also argued that high levels of capital mobility, as well as “asset specificity,” are associated with democratization. “Asset specificity” is a concept to describe the degree of the mobility of moving out wealth to other countries. In autocracies with high levels of capital mobility, rich elites have an exit option to move their capital to other places in order to avoid confiscatory tax rate. Since rich elites can move their assets more freely, they tend to fear democracy less. Instead of setting a high confiscatory tax rate, the poor citizens, who is the median voter, will set a rather moderate tax rate in order to benefit from wealth redistribution after the rich moved out. Therefore, this type of authoritarian regime has high chances to become democracy.

For Acemoglu and Robinson (2005), their model’s basic assumption is similar to Boix (2003)’s, that the society is divided into rich and poor, but their prediction for democratization is different. In theory, democratic transition becomes less likely in authoritarian regimes when income inequality is too high. This is because the rich fear high cost of new tax rate that will confiscate their property after the transition, so they will choose to suppress democracy movement. When income inequality is high, it means more redistribution will occur when the rich consent, but do not want to lose all of their interests after democratization. In low income inequality countries, democratization is less likely to occur because there is no demand from citizens. Without the demand of redistribution from the poor, the rich can continue to stay in power without facing serious challenges from the poor.

For countries with intermediate levels of income inequality, poor citizens are more likely to rebel and ask for more redistribution. From rich elites’ point of view, they tend not to use repression because it is relatively costly. Thus, at intermediate levels of inequality, the masses are willing to protest and the elites are unwilling to repress, which means democracy is more likely to happen. Acemoglu and Robinson (2005) say: “[the masses can] challenge the system, create significant social unrest and tur-

bulence, or even pose a serious revolutionary threat (25).” Rich elites can certainly offer temporal income redistribution, but redistribution is not credible to the poor under autocracy. To the poor, democracy is a credible political institution that offers redistribution not only in the present but also in the future. If the rich refuse to grant democracy, the poor can continue to threaten with revolution. The elites certainly do not want revolution, they will lose their economic interests a lot in democracy after revolution. Under this circumstance, the elites will also provide democratic institution as a credible commitment to promise more equal redistribution not only in the present but in the future as well.

Acemoglu and Robinson (2005) also introduce recessions to their model, which conditions the effect of income inequality on democratization. Recessions can be divided in to intensity recessions and frequent recessions. If a country is encountering frequent recessions, the poor has to threaten the rich by revolution more often. This gives the autocracy an opportunity to offer credible redistribution without having democracy, which will eventually stabilize authoritarian rule. Hence, Acemoglu and Robinson (2005)’s model suggests an inverted-U relationship of democratization: at low levels of income inequality, an increase can promote democracy by increasing the threat of revolution, but at higher levels of income inequality, rich elites will choose repression rather than offering concessions. Rich elites fear of redistribution after democratization when income inequality is high.

In sum, according to Boix (2003), democratization happens at low levels of inequality and high levels of capital mobility because rich elite’s do not fear redistribution. On the other hand, Acemoglu and Robinson (2005) argued that democracy only occurs at an intermediate level of inequality, rich elites are afraid of high tax rate after revolution. Both researches used a similar assumption to lay out the conflicts between poor citizens and rich elites, even though the expectations on the likelihood of democratization are different, but their theories help us understand how democratization

emerged. Boix (2003)'s showed empirical evidences for the effect of income inequality, but Acemoglu and Robinson (2005) did not present such empirical findings.

However, other empirical evidences on the relationship between income inequality, distributive conflict and democratization are always inconclusive (Ahlquist and Wibbels, 2012; Bollen and Jackman, 1985; Haggard and Kaufman, 2016*a*). (Houle, 2009) found that democratic consolidation is associated with income inequality, but his evidence did not show association between income inequality and democratization. Does income inequality and economic development really have no effect at all? Previous empirical studies show a pessimistic view on their effects on the future of democracy. In society with high income inequality, citizens learn to respect the authority and makes the society more hierarchical (Solt, 2012). Citizens also have less interests to be engaged in political affairs because they heavily rely on the rich for economic opportunity, such as jobs, when income inequality is high (Solt, 2008). These studies imply that income inequality may harm democracy.

Some studies try to investigate if there is a conditional effect on the effect of inequality on democratization, which provides a more in-depth discussion on how income inequality promotes democratization . For example, Ansell and Samuels (2014) focused on conflicts between agricultural elites and rising commercial classes. They found that the effect of income inequality on democratization is negatively associated with concentration of ownership in land. This means that autocracies with unequal land distribution are less likely to democratize. But if the inequality came from the rise of new social classes due to commercialization, then autocracies are more likely to democratize. More specifically, highly unequal countries with more industry sectors are more likely to become democracy. Meanwhile, Freeman and Quinn (2012) also find that financial integration autocracies, especially those with high levels of inequality, are more likely to democratize than unequal financially closed autocracies.

## 2.5 MORE ABOUT AUTOCRATIC REGIME STABILITY OR INSTABILITY IN POLITICAL ECONOMY MODELS

As noted above, empirical studies show no consistent result for modernization theory and redistributive conflict theory. Instead, many studies have the consensus that both income inequality and economic development are regime-strengthening forces. If economic development could be a factor to promote democratization (Kennedy, 2010), it could also be an impediment to democratization. Many scholars suggest that economic development can stabilize both democratic regimes and authoritarian regimes (Haggard and Kaufman, 2016*b*; Przeworski and Limongi, 1997). For example, in democracy, citizens reward the incumbent for good economic performance of the country by voting for the incumbent in the following election (Fiorina, 1978; Kiewiet, 2000; Lewis-Beck and Stegmaier, 2000).

In authoritarian regimes, economic development may have a positive effect on regime stability because it helps building the state's repressive capacity (Fearon and Laitin, 2003; Houle, 2016). Economic development also raises the opportunity cost for political instability, meaning that the cost to oppose the government is much higher in rich authoritarian regimes for citizens (Przeworski, 2005). Thus, citizens become less inclined to use violence and they have less ability to organize mass mobilizations (Feng, 1997; Inglehart and Welzel, 2005).

On the other hand, high income inequality is also a regime-strengthening force for autocratic regimes. Both Acemoglu and Robinson (2005) and Boix (2003) suggest that high income inequality hurts democratization, which is supported by Houle (2016)'s empirical finding. Solt (2012) suggests that greater income inequality stabilizes autocratic rule because it shapes citizens' feelings toward the authority. Specifically, income inequality helps the society to develop a hierarchical structure, which leads the poor to obey the authority more. Hence, democratization becomes less likely when income inequality is high.

## 2.6 POLITICAL INSTITUTIONS AND DEMOCRATIZATION

Besides political economy explanations, Geddes (1999) focused on how different types of authoritarian regimes are associated with democratization. For the authoritarian regimes after World War II, the leaderships, institutional designs, the relationship with supporters and oppositions may lead them to breakdown differently (Geddes, 1999). This helps us to explain why the post-1950 democratizations have such different forms from those before 1950 (Boix and Stokes, 2003).

In Geddes (1999)'s seminal work, authoritarian regimes can be classified into three different types based on different leaderships: professionalized military regime, hegemonic party regime, and personalistic regime. This argument is built on the suggestions by Przeworski (1991*a*)'s that military regimes are more likely to fail than other types of authoritarian regimes. Geddes (1999) goes further to theorize that military regimes are more easily to fail during economic crisis, which leads to doubt of efficacy of military rule. O'Donnell, Schmitter and Whitehead (1986) also suggest that military rulers usually started with negotiation before returning to military, which leads democracy to become more likely than overthrowing the government violently. Thus the collapse of a military regime is usually more likely to result in a democracy.

On the contrary, hegemonic party regimes have higher survival rate than professionalized military regimes Geddes (1999, 2003). For hegemonic party regimes, they are more flexible in dealing with crises and challenges. For the members of the party, they will prefer to be replaced by democracy if they cannot maintain their power. Democracy gives those members an opportunity to continue their political careers in the competitive elections. Eventually, these elections result in the exit of the hegemonic party regime.

For regimes that controlled by one powerful leader, they are more likely to be replaced by another dictatorship than democracy (Geddes, 1999). Compared to hege-

monic party regime and professionalized military regime, leader of personalist regime is less willing to negotiate their exit from office with the oppositions because the threats they are facing are mostly unfavorable, such as assassinations, confiscation, or exile. Therefore, popular protests and demonstrations that initiated by outside opposition groups may lead the regime to consider implementing multiparty elections, which can be found in African countries (Bratton and Van de Walle, 1997; Mattes and Bratton, 2007). Also, they are more likely to be overthrown in revolution and civil wars (Geddes, 2003).

Geddes (1999) discusses regime transition based on different types of authoritarian regimes, which provides different aspects to think about democratization. Knutsen, Nygård and Wig (2017) and Lindberg (2009) address the importance of the elections in authoritarian regimes. Several studies have pointed out that elections and electoral institutions could eliminate the threat from the oppositions to the regime (Gandhi, 2008), by splitting the opposition, enhancing legitimacy, strengthening party organization, and buying time for later exit (Knutsen, Nygård and Wig, 2017). But Knutsen, Nygård and Wig (2017) propose that elections could produce short-term instability in autocratic regime, therefore, in the long run, elections stabilize autocratic regimes.

It seems to us that democratic institutions, such as electoral institution, in authoritarian regimes are harmful to the likelihood of democratic transition. Lindberg (2009) proposes that even though elections in authoritarian regimes may not be free and fair, but it at least is the key of democratization in the early stage. Elections in authoritarian regimes raise the cost of repression and decrease the cost of toleration, especially when the general public and the opposition expect to see a more democratic freedom. That is, democratization becomes more likely. Therefore, Lindberg (2009) sees democratization as a gradual process that a regime becomes increasingly democratic.

## 2.7 OTHER FACTORS THAT MAY RESIST DEMOCRACY: CULTURE, NATURAL RESOURCES, AND INCOME INEQUALITY

The above discussed factors that are associated with democratization, but some other factors may explain why democratization does not happen. From the cultural perspectives, Confucian society is considered as an impediment to democratization. In a Confucian society, people developed a more hierarchical attitude toward the authority. People learn a greater respect for authority from their hierarchical social context. Therefore, the authoritarianism is more widespread and the living experiences in a Confucian society make democratization harder to be achieved (Hsieh, 2003).

In Karatnycky (2002)'s work, he concluded that Islam culture's traditional values contribute to a strong association between Islam society and authoritarianism. (Fish, 2002) disagrees this claim by saying that the suppression of women's rights in these countries is critical to democratization. That is, the treatment of women in muslim societies hinders democratization. Later in Ross (2008)'s seminal work, he provides a different view to explain why women's right in Islamic society has always been violated, which is correlated with the impediment to democratization. Many scholars claim that a bad treatment of women always happens in muslim society, but Ross (2008) found that oil production explains why women's status is low in Muslim society, it is because oil production reduces the number of women in the work force, which declines women's influences in every perspective.

Some scholars focus on the relationship between oil production and democratization, such as Crystal (1995). They always find that oil wealth does not contribute to democracy, instead, it stabilizes dictatorship (Ross, 2001). The so-called resource curse happens in countries with wealth in oil and other minerals. For this type of country, the autocratic government usually used the sale of natural resources to distribute subsidies to citizens, which maintain a strong popular support for the regime (Anderson, 1987).

However, not all oil rich countries are the same. Herb (2005) also showed that if oil productions and sales are not the main contribution to the economy, there is a positive correlation between economic development and the changes of democracy scores. Kurtz and Brooks (2011) also found some resource-rich countries that have successfully diversified the economy, this resource curse pose no threat on democracy. Moreover, Dunning (2008) argued that oil rents can sustain democracy when the wealth is distributed. Therefore, oil production may be a curse to democracy, but it only happens to countries that only rely on oil as the main economic activity.

Above all in this subsection, scholars have identified some factors that are negatively associated with democracy. However, we always can find some specific conditions that countries with such factors still transitioned to democracy. For example, South Korea and Taiwan are both Confucian societies and both have transitioned to democracies. Indonesia and Turkey both have large Muslim populations, both countries have experienced democratization as well. As previous empirical studies signaled, there are some specific conditions to connect income inequality and democratization and economic development and democratization, which provides more information about when democratization is more likely to occur. However, most of these studies discuss the effect of income inequality and the effect of the economic development separately. This largely ignores that income inequality actually means differently in countries with different levels of economic development (Houle, 2016).

## 2.8 CONCLUSION

Despite the findings of no causal relationship between economic development and democratization by Przeworski et al. (2000), recent empirical studies on democratization have confirmed the relationship between economic development and democracy when some specific conditions occur. Moreover, there are lots of disagreements on how democracy emerges, which I have discussed in the previous sections. It seems

to us that the emergence of democracy does not always only rely on just one path (Haggard and Kaufman, 2016*a,b*), most of the theories on democratization seem to be plausible in explaining democratic transition, even though these explanations for these correlations remain contested.

In the next chapter, I scrutiny discussed the weakness, problems and unanswered questions of the literature I reviewed in this chapter. Based on my criticisms, I construct my theory to explain democratization in the third wave democratization period. Specifically, in my dissertation, I bring economic development back to the discussion on democratization along with the effect of income inequality. I then propose that levels of political liberalization increased by liberalizing politics when income inequality and economic development meet at different conditions. Later, countries that with the help of the increased of levels of political liberalization, autocracies thus become more likely to transition to democracies. This path to democracy can be one of the explanations to understand democratization.

## CHAPTER 3

### AN ALTERNATIVE WAY TO EXPLAIN THE PATH TOWARD DEMOCRATIZATION

Democratization is a rare event, many scholars are striving to discover the main causes of democratization as it is a major change to political institutions and political regimes. This change will bring significant differences to citizens who are living in transitional regimes (Huntington, 1991; Diamond, 1999). On one hand, many studies identified the impediment to democratization, such as natural resources and Islamic culture; On the other hand, the effect of political economy on democratization still remains ambiguous.

As I discussed in the last chapter, the empirical evidence on relationships between income inequality and democratization, as well as the relationship between economic development and democratization, are not as clear as redistributive conflict theory and modernization theory suggested. However, under some certain circumstances, income inequality and economic development may associated with democratization, which implies that both theories may contribute to democratization.

In this chapter, I will discuss how I speculate my theory to explain the progress of democratization and point out the weaknesses of political economy theory on democratization. After reviewing most of the literature on democratization, I found only a few of them discussed the conditional effect of economic development on the relationship between income inequality and democratization (e.g. Houle, 2016). I expect to observe different outcomes of regime transition when effect of economic develop-

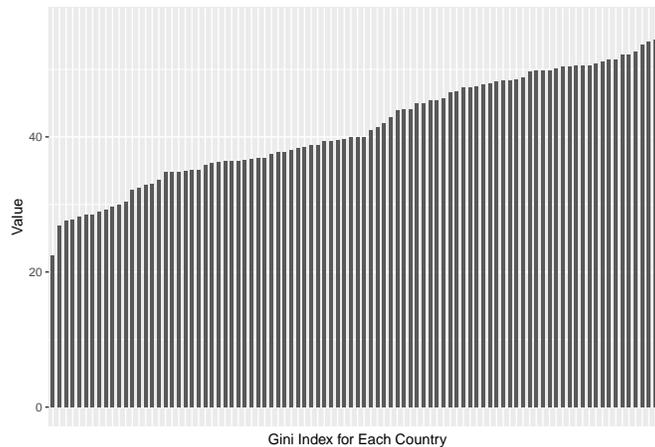
ment comes into play. Meanwhile, most literature treated democratization as a fast developing movement when testing the effects of different factors on democratization, which may be the reason why scholars find inconclusive findings for its effect. In most cases, democratization should not always be a movement that happened in a short period, instead, it is a slow progressing movement.

### 3.1 FIRST ISSUE: THE MEANING OF INCOME INEQUALITY

What does income inequality look like for countries that experienced democratization between 1960 and 2010? Did most of these countries transitioned to democracy when income inequality was high? In Figure 3.1, I plot the Gini index for each country that had experienced democratic transition between 1960 and 2010. In this figure, the y-axis is the value of the Gini index, this Gini index comes from Standardized World Income Inequality Dataset (SWIID) (Solt, 2016). While the x-axis is each country that has democratization, this information is provided by “Democracy and Dictatorship” (Cheibub, Gandhi and Vreeland, 2010).

Figure 3.1 shows that some countries with low income inequality democratized and some countries with high income inequality also democratized. Haggard and Kaufman (2012) may be correct that not every country transitioned to democracy based on the conflict between the rich and the poor. However, it does not necessarily mean that income inequality was completely unrelated with democratization in these countries. Based on Figure 3.1, I do not have sufficient information to identify the relationship between income inequality and democratization, but this figure motivates me to discuss why both high and low income inequality countries can become democracies.

What have previous studies missed? I propose that most of the literature may misconceptualize the meaning of income inequality, which may lead to mis-interpretations on how income inequality is associated with democratization. In general, when we



**Figure 3.1:** Gini Coefficient for Each Country between 1960 and 2010

look at income inequality indicators, such as the Gini index of income inequality, scholars usually classify income inequality indicators into high income inequality, medium income inequality, and low income inequality (e.g. Houle, 2016). There is no problem with classifying income inequality like this, however, many scholars do not notice that income inequality means different things at different levels of economic development, which may lead to different results of democratization.

But why is economic development important to help us to understand the relationship between income inequality and democratization? As mentioned, income inequality means different things at different levels of economic development, therefore, the resources that are expected to be redistributed may be different at different levels of economic development (Houle, 2016; Miller, 2012; Slater, Smith and Nair, 2014). Table 3.1 lays out four types of countries based on different levels of income inequality and different levels of economic development. It helps us to identify why income inequality means different things under different levels of economic development. For example, low income inequality in poor country means citizens are, not completely, equally poor, such as Pakistan in 2013 and Nepal in 2010. On the other hand, low income inequality in rich country means citizens are equally rich, such as Sweden in 2010.

**Table 3.1:** 2X2 Table of income inequality and economic development

	Equal	Unequal
Poor	Equally Poor Nepal	Poor but Unequal Uganda
Rich	Equally Rich Sweden	Rich but Unequal Singapore

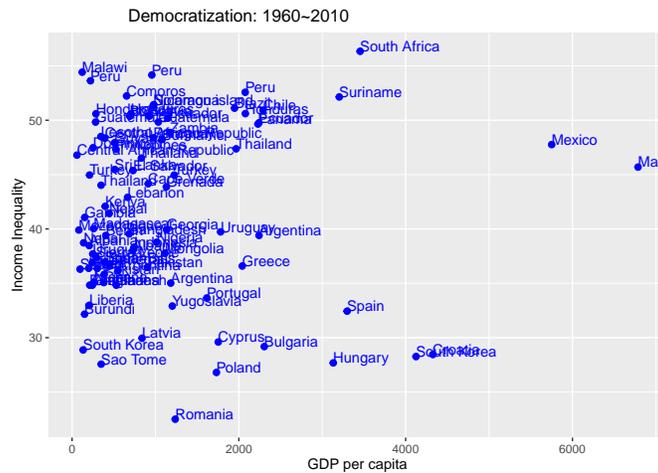
Unequal society can also mean different things in rich and poor countries. Since levels of economic development imply how much the society owns, this may condition the incentive for the disenfranchised citizens to ask for redistributions and the incentive for the autocracy to make changes. When citizens ask for more political and civil rights, the leaders of the autocratic government may use several strategies, such as repression or cooptation, to respond to the discontents. However, different autocracies have different capabilities to deal with it.

Scholars always assume the leaders of autocracy are the same, indeed, they actually tend to have different institutional structures and different relationships with their supporters and ordinary citizens (Geddes, 1999; Geddes, Wright and Frantz, 2014; Bechtel, Hangartner and Schmid, 2016). For example, Geddes, Wright and Frantz (2014) classified autocratic regimes into personalist, military, and party. Autocratic regimes can also have different levels of political liberalization. For example, Polity IV dataset classified autocratic regimes into different subtypes based on the levels of democracy for each autocracy. Therefore, different types of autocracy under different economic development may respond to mass protest due to income inequality.

If we attempt to discuss the relationship between income inequality and democratization, therefore, adding economic development as the conditional effect on income inequality could provide a better picture to understand democratization. The effect of income inequality on democratization may vary due to the heterogeneity of economic development across autocracies.

### 3.1.1 BRINGING ECONOMIC DEVELOPMENT BACK

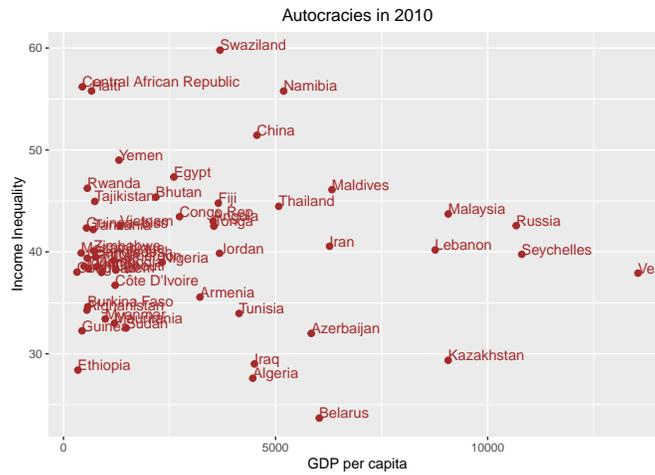
Based on Figure 3.1, in Figure 3.2, I add GDP per capita as the measure of the economy. This dataset comes from the Penn World Table, I plot countries that had experienced democratization from 1960 to 2010 based on levels of the economy and income inequality in the year of the transition. According to Figure 3.2, it does not show a clear pattern of the relationship between income inequality and democratization, nor a linear relationship between GDP per capita and democratization. It shows that some “poor” and “unequal” countries, such as Malawi and Burundi, transitioned to democracy; while some “middle income” and “unequal” countries, such as South Africa and Brazil, also democratized. To be more specific, Figure 3.2 also shows that, during the year of transitioning to democracy, country’s income inequality can range from low income inequality (Gini coefficient < 25) to high income inequality (Gini coefficient > 50), and most of the countries’ income inequality were in the range of Gini at 35 to 50 during the year of transition.



**Figure 3.2:** Levels of income inequality and economic development

Meanwhile, Figure 3.3 shows that, in 2010, many autocracies did not become a democracy even though they have reached some certain levels of income inequality and economy development. Meanwhile, there were some relatively rich countries that

still remained under autocratic rule. If both redistributive theory and modernization theory are correct, we should see some patterns from this figure.



**Figure 3.3:** Levels of income inequality and economic development for autocracies in 2010

The democratic transition cases show that neither redistribution theory nor modernization theory can independently explain democratization. In order to get a better picture to understand democratization, it is important if we can discuss the conditional effect of economic development on the effect of income inequality on democratization. I argue that income inequality and the economy are the foundations of citizens' willingness to participate in anti-government activities and also government's response to those activities. Again, a similar level of income inequality can be different meaning at different levels of economic development.

Houle (2016)'s research on democratization was the first research that discussed the effect of income inequality on democratization that is actually conditional on the level of economic development. He finds that income inequality is associated with democratization only at intermediate levels of economic development; and income inequality harms democratization in rich autocracies. Houle (2016) uses state capacity to explain the relationship between income inequality and democratization. But state capacity is highly correlated with levels of economic development, that means Houle did not explain well why economic development can condition the effect of income

inequality on democratization. That is, Houle only discussed how conditional effect affect government's ability to respond mass protests, but did not discuss how this conditional effect help citizens to coordinate mass protests.

### 3.2 SECOND ISSUE: THE MEANING OF DEMOCRACY AND DEMOCRATIZATION

The second issue involves theoretical and empirical perspective that may lead to inconclusive findings in literature. On the theoretical perspective, many studies used dichotomous measure of democracy to test the relationship between income inequality/economic development on democratization (Houle, 2016), which implies that democratization is an immediate regime change as most studies because everything remained unchanged before transition. A binary coding of democratization may make it difficult to observe the effect of income inequality and economic development. To be more specific, it is difficult to observe the effect of income inequality and the economy on democratic transition before the country becomes a democracy. The binary codings for the democratization variable in the dataset remain zero before country's democratic transition. This may largely ignore that democratization is dynamic movement, which could last years and may be an on going process until a non-democracy transitioned to a democracy. If scholars connect the relationship between income inequality and a binary coding of democratization, it may lose a lot of information about the effect of income inequality before country transitioned to a democracy. That is, the year of transitioning to a full democracy is only the final result of this long process.<sup>1</sup>

As mentioned, democratization is a dynamic process. Immediate democratic transition is rare, such as Panama in 1989, and it is rare for the effect of income inequality and economic development to flip an authoritarian regime to a democracy in a short

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<sup>1</sup>Please note that not every study on democratization uses binary coding of democracy to do empirical testing. For example, Freeman and Quinn (2012) uses PolityIV index.

period. The effect income inequality and economic development on democratization may “accumulate” slowly. In this dissertation, I propose that income inequality and economic development are the fundamentals of democratic transition, but they do not directly lead to democratic transition, instead, this jointly effect lead the disenfranchised citizens to move the first step toward asking for more political powers, i.e. political liberalization. Political liberalization is critical to democratization after income inequality and economic development trigger the increase of political liberalization. The role of political liberalization before democratization has been largely ignored by scholars of third wave of democratization.

In today’s world, many autocracies possess institutions that use the name of democratic principles. For example, Singapore and Malaysia both have multi-party elections for the parliaments, and all eligible citizens can cast their votes without much interference. Even though a lot of autocracies run their governments in the name of democracy, but they usually violate at least one or more democratic principles, which actually represents the idea of non-democracy. In Singapore, the government sets up rules to obstruct opposition parties ability to compete with the incumbent party, which largely impacts opposition parties’ chances of winning a parliament seat. Meanwhile, it also decreases citizens’ willingness to vote for opposition parties. That is, even though the government of Singapore allows oppositions to run elections and also allows all eligible voters to vote, we still cannot classify Singapore as a full democracy.<sup>2</sup> Thus, many of the datasets categorized Singapore as partial democracy, partly free country, or non-democracy, such as Freedom House, Polity IV.

The use of partial democracy or partly free country may be misleading. This type of country is essentially not democracy, based on the polyarchy principles (Dahl, 1973). We see many of studies use binary coding of democracy (e.g., Haggard and

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<sup>2</sup>Besides violating the electoral principles, civil liberties are also harmed by the autocratic rule (Levitsky and Way, 2010).

Kaufman, 2012, 2016*b*; Houle, 2009, 2016). By using this binary measurement to capture the concept of democratization is reasonable at the first glance, because democratization, by definition, is a regime that transitions from a non-democracy to a democracy. This measurement indicates that a new democracy completed “all the essential processes and elements” of democratization, such as high levels of political participation and high levels of political contestation. This means that some of the countries achieved high levels of political liberalization before their achieved democratic transition.

Before a country transitions to a democracy, a binary indicator is coded the country as zero because there was no democratic transition (Cheibub, Gandhi and Vreeland, 2010). Even though the dataset coded a “no transition” as a zero sincerely reflects the condition of democratization for individual country, but a binary indicator of democratization ignores that many political development may occur in autocracies before the transition. Haggard, Webb et al. (1994) and Huntington (1991) discuss that many transitions started from some forms of oligarchic government to democratic government by increasing suffrage and competitions. This also shows that before transitioning to a democracy, autocratic government may increase levels of political liberalization and this could eventually help the country to move to the final step to a democracy.

Meanwhile, different types of autocracy, based on the “levels of democracy,” may generate different outcomes of democratization. For example, Epstein et al. (2006) find that transition from “partial democracy” to full democracy is highly associated with economic development, but economic development has less effects on transitions from full autocracy to full democracy. This study shows the importance of political liberalization before transition.

As mentioned previously, many autocracies could introduce some democratic institutions into the government, such as elections or semi-legislative branches, “feature

arenas of contestation in which opposition forces can challenge, and even oust, authoritarian incumbents” (Levitsky and Way, 2010). That is, even autocracies could allow some certain levels of civil liberties or elections, due to variety of motivations. The autocracy sometimes offers incremental democratic rules as the promises to the citizens that they can ensure to provide more public goods and good policies in the future (North and Weingast, 1989; Weingast, 1997). Empowering the citizens could stabilize autocratic rule, but this incremental power sharing may be critical to the final transition to democracy, that is, without having some levels of “competition” and “inclusiveness” in hand, transition to a democracy becomes a difficult task.

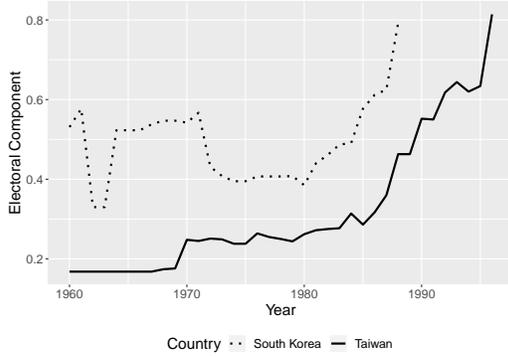
### 3.2.1 POLITICAL LIBERALIZATION AND DEMOCRATIZATION

Democratic transition in Taiwan is a prime example to demonstrate this slow incremental process. Before the transition, citizens in Taiwan had already gained voting rights, but the competition between the autocratic government and others was still very limited. Even though Taiwan citizens could vote under KMT’s autocratic rule, the fairness was largely eroded by the KMT government. This included vote buying and different forms of electoral fraud, which ensured that KMT candidates would win. Meanwhile, the KMT government also banned the formation of new political parties until 1986 (Cheng, 1989; Cheng, Haggard and Kang, 1998). After the Martial Law was lifted in 1987, it opened up not just political rights, such as forming new parties, but also civil liberties, such as freedom of speech and freedom of press. However, Taiwan did not achieve to democracy immediately in 1987, most scholars consider the year 1996 as the year of transition.<sup>3</sup>

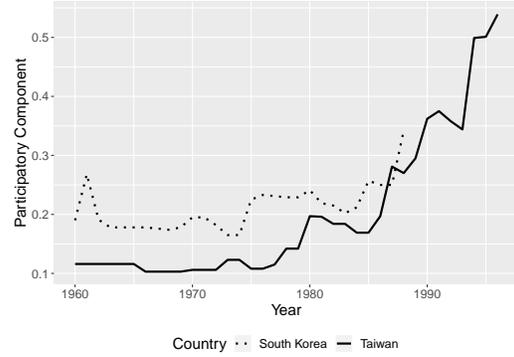
Taiwan slowly increased levels political liberalization since late 1960 because there were both “national” and local elections. During the period between lifting the Mar-

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<sup>3</sup>Taiwan had the first popular elected president in 1996. Others consider 2000 was the year of transition because the KMT government stepped down in that year.



(a) Electoral component



(b) Participatory component

**Figure 3.4:** Electoral component and participatory component for Taiwan and South Korea before democratization, source: V-dem dataset

tial Law in 1987 and the first presidential election in 1996, Taiwan actually had increased more levels of electoral component and participatory component of democracy in each year (see Figure 3.4). Not only Taiwan, many countries also experienced such similar process of democratization after 1960. Figure 3.4 also plots levels of electoral component and participatory component of democracy before South Korea’s democratic transition in 1987, it was true that South Korea also increased its levels of political liberalization.

In sum, a binary indicator of democratization does not capture the dynamic of the process of democratic transition, even though it captures the concept of a democracy. It assumes that nothing has happened before transitioning to a democracy regardless that countries were actually increased the levels of liberalization. It makes the effect of income inequality on democratization hard to observe.

### 3.3 WHY POLITICAL LIBERALIZATION IS IMPORTANT TO DEMOCRATIZATION

We may be able to observe a relationship between income inequality and the transition to democracy, but the effect of income inequality is associated with political liberalization in the first place. If a country can garner some certain levels of liberalization in the first place, it may make the country more easy to become a democracy.

Autocracies may choose to open up part of political inclusiveness and competitiveness slowly, such as expanding voting rights or allowing opposition parties. Income inequality could be a trigger for citizens to ask for more political powers.<sup>4</sup> For example, as mentioned in Figure 3.3, most scholars mark 1996 as the year of Taiwan’s transition to democracy because of the first popular vote presidential election was held in that year. Using this binary classification to discuss the effect of income inequality assumes that the effect of income inequality was uncorrelated to Taiwan’s transition years before 1996. But Taiwan actually started to launch political reforms in 1987 and started to expand political rights and civil liberties. From 1987 to 1996, Taiwanese gained the “semi-democratic” experiences and learned from it. With having this prior “semi-democratic” experience, it will help citizens to develop anti-authoritarian attitude and potentially can weaken the autocratic government. That is, first, autocracies may be more likely to be undermined by high liberalization. Second, high liberalization motivates citizens to ask for more political powers. Thus, I propose that the effect of income inequality is associated with the increase (or decrease) the level of liberalization, but it is conditional on economic development, which will correlate with democratization.

Haggard and Kaufman (2016*b*)’s research implies that a new democratic transition may not experience some types of political liberalization before moving toward a full democracy. In their studies, Haggard and Kaufman scrutinize the causal mechanisms underpinning distributive conflict models of democratization across all cases of democratic transition between 1980 and 2008. They find that only around half of transitions and a third of reversions can be characterized as being driven in some way by distributive conflict. The remaining cases of transition are those led by elites. It is worth to note that, when evaluating each case of democratization, they only eval-

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<sup>4</sup>There are some examples that countries did not experience the increase of political liberalization before transitioning to democracy. Such as post-colonial countries, Japan in 1950s and Panama in 1989

uate if there was a redistributive conflict during the year of transition, and then they make conclusions based this limited observation. There are some possibilities that distributive conflicts may happen before the year of transition, and those distributive conflict may result in the increase of political liberalization.

In most cases, the process to democratization were led by the public due to income inequality or economic development (Miller, 2012; Treisman, 2015). By slowly asking for more political powers from the government, eventually an autocracy will become more likely to transition to a democracy once citizens decide to have democracy. Epstein et al. (2006) has done similar approach to study the relationship between development and democratization. By using trichotomous measure of democracy, their result shows that development is associated with democratization from partial democracy to full democracy. Acemoglu and Robinson (2005) also mention that autocracy sometimes releases political powers to the poor in order to appease poor people's discontents due to rising income inequality. This implies that non-democratic countries are not all the same and can be categorized into different types (Geddes, 1999, 2003; Geddes, Wright and Frantz, 2014). Meanwhile, the levels of liberalization can vary across different countries, which could range from no political liberalization to high levels of political liberalization. At this point, income inequality may be a good predictor of weakening the authoritarian regimes due to the increase of political liberalization, which were largely ignored by previous empirical studies.

### 3.4 CONCLUSION

In this chapter, I lay out two significant issues that may bring the inconclusive findings of the relationship between income inequality and democratization. First, economic development should play an important mediating role on the effect of income inequality on democratization. Second, democratization should be treated as a slow progressing movement when discussing effects of income inequality and economic de-

velopment on democratization. Therefore, I propose that the jointly effect of income inequality and economic development does not directly lead to immediate democratic transition, instead, it is associated with political liberalization. In the end, high levels of political liberalization contributes to democratization.

In the next chapter, I will discuss how to connect income inequality and democratization by introducing economic development and political liberalization. First, I will discuss how income inequality and economic development promote the increase of political liberalization. Second, I will discuss how different types of political liberalization contribute to the last step toward democratization.

## CHAPTER 4

### POLITICAL LIBERALIZATION MATTERS

In the last chapter, I argue that democratization is a slow progressing movement, which may increase levels of political liberalization gradually. Also, the effect of income inequality on this slow progressing movement is conditional on levels of economic development. In this chapter, I offer a two-stage process of democratization. This model focuses on the mechanisms between income inequality and political liberalizations under the conditional effect of economic development in the first stage, and the effect of political liberalization on democratization in the second stage.

#### 4.1 DEMOCRATIZATION IS NOT (ALWAYS) AN URGENT DEMAND

Based on a minimalist dichotomous measure of democracy, both the executive and the legislature must be popularly elected and there must be more than one party competing in the elections (Cheibub, Gandhi and Vreeland, 2010). Besides, civil liberty must be extended to a higher level in democracy. Asking for immediate democratization may post an immediate threat to the autocratic government. This is because the leaders of the autocracy government could potentially be removed by the new democratic government and could potentially facing a series of trials after democratization. Since the goal for an autocracy is to stay in power as long as they can (Svolik, 2012), therefore, asking for “immediate democratization” will bring punishments to the oppositions.<sup>1</sup>

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<sup>1</sup>Most of the autocratic political parties stepped down after democratization due to free and fair elections (Huntington, 1991).

For citizens, their demands may be more redistributive policies or property rights protection, that asking for more political powers may be helpful. These demands do not require immediate democratization to be achieved. The autocratic government could implement a temporal or long term policy in order to appeal oppositions and alleviate the discontented citizens. For example, according to Miller (2015), electoral authoritarian regimes can provide good social policies and health policies. Moreover, electoral authoritarian regimes can include oppositions into their decision making process, which means a higher level of political liberalization (Levitsky and Way, 2010). Under this circumstance, when an autocracy responds by providing good policies to citizens or incorporating oppositions into the decision making processes, then some citizens may feel that the need for more democracy decreases because citizens demands had been met. <sup>2</sup> But these actions may contribute to higher levels of political liberalizations.

Citizens' primary goal is to urge the government to implement their policy preferences, removing the current autocratic government from office is not the priority. They may be able to do it by having some small scales of democracy in hand, which may be acceptable by the government. What will happen if citizens ask for immediate democracy or large scale of political reform? It is more likely that autocracy will choose to crack down on democratization movements because they pose a threat of removal to the autocratic government. The May 18 Gwangju Democratization Movement in South Korea in 1980 is the prime example that the autocracy brutally

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<sup>2</sup>Besides giving away some political and civil rights, for autocratic governments, it is rational if they could provide policies to maintain their dominance. Scholars have the consensus that economic development and income inequality can stabilize autocratic regime. For Kennedy (2010), in more developed countries, low growth is harmful to the government, which implies that development can foster autocratic rule, on the other hand. Miller (2012) argues that development decrease the likelihood of violent leader removal, which cause democratization becomes less likely. Moreover, Houle (2016) finds that income inequality and economic development strengthen state capacity and also makes democratization becomes less likely. The above discussion implies that democratization is actually a rare event, given the fact that citizens always reluctant to ask for more liberalization because the autocracy always has more capability to dissolve citizens' democratization movement.

suppressed the movement when citizens asked for immediate democratic reform. The 1989 Tiananmen Square protests is another example that the protests were forcibly suppressed when asking for more civil liberties, such as freedom of speech, freedom of press, etc. The Romania Revolution in December 1989 was one of the exceptions of having immediate democratization. Even though the government tried to crackdown this movement, but Romania still held their first free and fair, multi-party election in 1990.

Democratic transition is costly and not easy to be achieved. But political liberalization is less costly and may be more efficient to achieve policy goals than democratization. Because citizens are less motivated to change the whole political regime in a short period, it helps me to build the two-stage model of democratization. A two-stage democratization helps us understand the mechanism to connect income inequality, economic development, political liberalization and democratization.

## 4.2 THE TWO-STAGE MODEL OF DEMOCRATIZATION

How does the two-stage model of democratization evolve? Instead of transitioning to a democracy immediately, citizens “only” ask for more political rights and civil liberties at the first stage. Later, citizens ask for democratization with the help from high levels of political liberalization. There are some circumstances that will make an autocracy more willing to become more democratic. I argue that income inequality, economic development, and the interaction between the two may attribute to higher political liberalization. In the end, the key element is political liberalization. That is, liberalization gives citizens the capacity to fight against the government.

### 4.2.1 THE FIRST STAGE

Since democratization is a slow progressing movement, that means income inequality and economic development do not always translate into immediate democratization.

In fact, the effect of both economic indicators may translate into political liberalization at the beginning of the conflict between citizens and government. In the end, there is a higher chance to become a democracy in autocratic regimes with high political liberalization.

In the first stage, both inequality and development are associated with greater political liberalization. For citizens living in a society with increased income inequality, the initial goal is to gain more political rights for more redistributive policies. On the other hand, citizens living in emerging economies, the initial goal is also to ask for more political rights in order to protect their property rights, which was earned from economic development. But the autocratic government will not consent for these demands immediately, instead, they have two options: to give away some political powers and civil liberties or simply to reject this demand. Hence, the interactions between citizens and the government do not necessary lead to a democracy immediately, instead, it will either remain unchanged or increase liberalization incrementally.

After citizens achieved their primary goals, they may choose to slow down the action of asking for more political liberalization. They may also ask for more political liberalization as the autocracy already consented to give it away initially. Hence, slowing down may be an optimal choice for citizens. There is no further incentive to protest again as long as the demands have been fulfilled (or at least partially). On the other hand, citizens acknowledge that a rising income inequality and economic development may also strengthen government's capacity to repress (Houle, 2016). If citizens ask for more political liberalization after initial increase of liberalization, the autocratic government will perceive a threat and uncertainty from it. Therefore, constantly asking for more political liberalization will increase the risk of facing series of punishment from the government.

For the autocratic government in the first stage, they acknowledge that changes of income inequality and economic development may shift citizens' preferences to

more democratic rules. But in the long run, autocracy will realize that they may also become stronger due to income inequality and economic development, that is, these effects may increase the stability of current government and simultaneously weaken citizens' ability to fight and to organize. For example, Londregan and Poole (1990) point out that higher economic development reduces the likelihood of coups. Goldstone et al. (2010) and Miller (2012) find that political instability, such as civil wars and violent removal of leader, decreases in countries with economic development. Moreover, Houle (2016) suggests that high income inequality actually increases state capacity, which weakens oppositions at the same time.

This dissertation assumes that citizens acknowledge that government has become stronger due to development and inequality, thus asking for immediate democratization from the government becomes a dangerous move. For citizens, they will confront more collective action problems. For autocratic regimes with multiple means, they will choose to repress because of their increasing coercive capacity. This is the reason why a two-stage model may provide another explanation.

#### 4.2.2 THE SECOND STAGE: WHY POLITICAL LIBERALIZATIONS

An immediate democratization is rare since it is not citizens' first choice. This phenomenon may be attributed to the rise of competitive authoritarian regimes (Levitsky and Way, 2010). This dissertation has no intention to discuss the causes of competitive authoritarian regimes, but I would like to examine when and why democratization occur by using a political economy approach. Even though income inequality and economic development may change citizens' preferences in favor of democracy (Dahl, 1973; Huntington, 1991; Acemoglu and Robinson, 2005), this does not necessary lead to a democracy immediately. The key element for democratic transition is political liberalization, without having the capacity to organize anti-government movements, it becomes less likely to have the chance to transition to democracy.

Why does political liberalization matter in the second stage process of democratization? First and foremost, citizens also become stronger and have the capacity to organize because they have more political rights and civil liberties. Democratization sometimes springs from prolonged and sustained conflicts between ruler and the ruled. As many of the rational choice theorists suggest, social movement requires people to participate, but the willingness of participation is critically affected by the resource they possess. In order to achieve the goal, groups must reduce the likelihood of having free riding problems (Olson, 1971). Resolving collective action problems becomes easier as citizens gaining more political powers, such as running for elections, and civil rights protections, and more freedom to organize civil society groups.

Studies show that authoritarianism is the product of political socialization. Going through this path of political socialization, citizens live in a setting of authoritarian rule for a certain time may develop more authoritarian personality (Altemeyer, 1988; Altemeyer and Altemeyer, 1996). This type of personality is inherently the foundation of support for the autocratic rule. Moreover, studies show a positive relationship between economic inequality and the support for authoritarianism. Societies with higher levels of economic inequality are more hierarchical and are more likely to support autocratic rule (Solt, 2008, 2012). Under this circumstance, a long term authoritarian regime with high economic inequality has less chance to become democracy. Why do citizens eventually change their preference from maintaining autocratic rule to democracy?

#### 4.3 WHO WILL BECOME MORE LIBERALIZED AND DEMOCRATIZED?

There are two types of autocracies that have higher chances to become more political liberalized due to income inequality and economic development. Oppositions have more incentives to organize and to ask the government for more political reforms, that is, the preferences will change from a less democratic “autocratic government”

to a more democratic “autocratic government.” On the other hand, the autocratic government also has more incentives to give up power to citizens.

The first type is in rich countries. Even though economic development does not necessarily lead to democratization, but it will associate with higher liberalization due to the demand for property right protection from citizens. The second type is countries with increased income inequality. Citizens are looking for more redistributive policies by having more political powers in hand. To them, political power is a means to achieve redistributive policies, it is not that necessary to gain full democracy immediately. However, in countries with high development and high inequality, the likelihood of liberalization thus decreased. In this type of country, citizens have difficulty organizing and the government has the capacity to suppress or co-opt the oppositions.

#### 4.3.1 IN RICH AUTOCRATIC REGIMES

In rich countries, income inequality has negative effect on political liberalization. For poor citizens, their main demand is income redistribution from rich citizens. But rich citizens, who are political elites, are much stronger than poor citizens in this type of country that citizens’ demands may be suppressed. According to Solt (2012), high income inequality is associated with more support for the authoritarianism among the poor. Poor citizens personality may tend to be more obedient to the authority because they need rich people to provide the access to jobs. For the rich, they are more likely to exercise their authority, such as deference and threat, because the poor simply rely on rich people. Solt (2012) concludes that “such experiences with authority in the economic sphere should be expected to affect people’s attitudes toward authority more generally (704).”

Moreover, in rich and unequal autocracies, both income inequality and economic development may strength the government, which may make democratization be-

comes less likely. Several scholars have discussed how development strengthens state capacity, where they made democratization less likely by developing patronage networks and it is co-opting the opposition (Besley and Persson, 2014; Buhaug, 2006; Hendrix, 2010). Higher income inequality is also harmful to democratization (Acemoglu and Robinson, 2005; Boix, 2003). The combination effect of inequality and development makes it even harder to achieve (Houle, 2016). In this type of country, the government refuse to provide political liberalization and the citizens have less incentive to ask for it because of their weakness. Moreover, due to lower levels of political liberalization, citizens have less capacity to organize and it is difficult for citizens to develop a pro-democracy attitude. Hence, democratization is difficult to become a reality in rich and unequal autocracies.<sup>3</sup>

In a relatively equal country, Boix (2003) predicts a high chance of democratic transition. Meanwhile, democratization becomes more likely because it is not easy to develop authoritarian attitude among citizens, that is, ordinary citizens do not have to rely on the rich to get more economic resources (Miller, 2012). Therefore, rich autocracies with low income inequality is associated with high political liberalization.

Citizens in this type of country are equally rich, which gives them the capacity to fulfill two demands: 1) they are looking for property right protection since the autocracy is not credible in doing it. Citizens also acknowledge that democratic institutions may better sustain property right protection. As long as the government can keep their promises in protecting property rights, there is no reason for the citizens to revolt. However, the promises under authoritarian regime are not always credible (Acemoglu and Robinson, 2005). In order to further protecting property

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<sup>3</sup>Ansell and Samuels (2013, 2010, 2014) have different view on inequality on democratization, they argue that high inequality in the industrial sector is associated with the emergence of a large middle class, which, in turn, demands democracy in order to protect its property against expropriation from the government. On the other hand, inequality in the rural sector is associated with land owner elites that may hurt democratization. Hence, they suggest that inequality in the industrial sector promotes democracy, while inequality in the rural sector harms democracy.

right, asking for more political liberalization is the best strategy for citizen in rich and equal autocracies. 2) Property rights protection may exist in autocratic regimes. So citizens in some countries may look for dealing with other political or social issues, such as ethnic divisions or regional conflicts. These demands are non-economic since this demand has been fulfilled.

According to the economic voting theory, voters in democracies punish the incumbent party for a bad economic performance (Achen, 1992; Hansford and Gomez, 2015; Lewis-Beck and Stegmaier, 2000). On the other hand, voters' opinions about the "future" state of the economy also affected their vote choice (Michelitch et al., 2012; Nadeau and Lewis-Beck, 2001; Weschle, 2014). This kind of reward-punishment mechanism may potentially remove the incumbent from office in democratic countries. This economic voting theory may apply to citizens in rich and equal autocracy, they become more sensitive and are more aware about the state of economy given they live in a relatively rich country. However, citizens in rich and equal authoritarian regimes do not have the rule or mechanism to remove the autocracy from office when the economy is bad.

*H1: In rich autocracies, high income inequality is negatively associated with political liberalization*

*H2: In rich autocracies, low income inequality is positively associated with political liberalization*

#### 4.3.2 IN POOR AUTOCRACIES

In poor autocracies, high income inequality is associated with political liberalization. Citizens in poor and unequal country may change their preference from autocratic rule to a more democratic rule when they continue to experience inequality and low development. The rich do not have enough resource to develop a hierarchical social

structure. Unlike in rich autocracies, the poor in poor countries cannot expect the rich to provide various resources to help them to fulfill everyday needs when income inequality is high. But the rich is still possessing most resources in this poor country. Therefore, citizens in poor countries may ask for income redistribution and economic development by having more political rights.

Lastly, low income inequality does not promote political liberalization in poor autocracies. The resource is scarce and may have been distributed fairly to citizens. There is no more resources to be redistributed from the rich. In this type of country, there is no relationship between income inequality, economic development, and political liberalization.

*H3: In poor autocracies, high income inequality is positively associated with political liberalization*

#### 4.4 HIGH POLITICAL LIBERALIZATION IS ASSOCIATED WITH DEMOCRATIZATION

Many studies have discussed some possible conditions where the opposition is stronger than the government. For example, violent leader removal signals that the government is weak even when the economy is in a good shape (Miller, 2012). Freeman and Quinn (2012) also find that financial openness in a non-democratic country is associated with government weakness. Chang and Wu (2016) find that in unequal autocracies, signing preferential trade agreements (PTAs) has a positive effect on regime survival. Above all, some conditions help democratization and some conditions help autocracy survival. Level of political liberalization is an important condition that had seldom been discussed, which helps us to understand how and when the poor can organize and eventually can reach to become a full democracy.

Political liberalization may help citizens to develop pro-democracy attitude in authoritarian regimes. Citizens in this country generally develop authoritarian atti-

tude through political socialization, such as education. But they may also develop pro-democracy attitude as they learn from semi-democratic institutions if they possess some levels of political liberalization. This semi-democratic experience weakens popular perceptions of the regime's strength because liberalization means citizens have the strength to limit executive power. Second, political liberalization serves as a coordination signal for regime opponents. Political liberalization is a composition of levels of free of association, freedom of speech, share of population with suffrage, and more (Lindberg et al., 2014), which means the capability of opposing the government. As long as there is a regime weakness with stronger opposition, the likelihood of democratization increased.

The period that follows political liberalization is at high risk for democratization given the authoritarian regime's associated weakness. As mentioned before, democratization is a slow process, which involves a constant interaction between the rich and the poor. Through this constant interaction, the opposition may gain more political liberalization.

*H4: High levels of political liberalization are associated with democratization*

There are many aspects to measure political liberalization. The widely used measurement was constructed by Dahl (1973), who proposes the idea of polyarchy to evaluate political regimes based on levels of participation and levels of contestation. This electoral index means that a regime where leaders are selected through contested elections held periodically before a broad electorate (Skaaning, Gerring and Bartusevičius, 2015). Many non-democratic regimes feature with some levels of contestation and participation, but these democratic principles are always violated by the government (Levitsky and Way, 2010). If these democratic principles are less violated by the government, then citizens are more likely to remove the autocracy from government through elections.

It is rational for autocracy to manipulate the elections, since it could stabilize their tenures in government. Following this logic, we should expect that democratization becomes less likely if elections in autocratic regime are always being manipulated (Gandhi and Przeworski, 2007; Svoboda, 2012). In other words, authoritarian regimes that hold elections tend to last longer than those that do not. However, if a “competitive authoritarian” regime holds some degree of political uncertainty and potential instability, then elections appear to increase the likelihood of a stable transition to democracy (Lindberg, 2009). Also, as Donno (2013) suggests, democratization becomes more likely when the autocratic government is facing pressures from domestic actors and international actors, such as opposition’s coordination and international pressures. Bernhard, B. Edgell and Lindberg (2019) also suggest that “institutionalized election” entails substantial risk to competitive authoritarian regimes, that the first three elections increase the probability of democratization. That is, when weaknesses appeared in authoritarian regimes with elections, there is a chance that elections could destabilize the autocratic government. Since democratization is citizens’ learning process, through multiple elections, citizens could accumulate democratic experiences eventually contributing to democratization. Therefore, the relationship between electoral component and democratization suggests that:

*H4.1: Autocracies with high levels of electoral component are more likely to become democracy.*

We should notice that a high level of election in authoritarian regimes might be the product of the conflict between oppositions and the government. Therefore, having a certain level of electoral democracy in hand is not enough for oppositions to “organize” groups. The alternative way is to look for other measurement that contains civil liberties indices. Lindberg et al. (2014) provided other democracy indices to help us understand the levels of political liberalization because democracy is a multi-

dimensional concept, such as electoral component, liberal component, participatory component (Lindberg et al., 2014). Liberal component and participatory component signal citizens' ability to organize and participate in non-electoral events. To be more specific, the liberal component of democracy can be achieved through protected civil liberties, strong rule of law, and effective checks and balances "that limited the use of executive power" (Lindberg et al., 2014). On the other hand, a participatory component of democracy emphasizes "local elections and other non-electoral forms of political participation" such as civil society organizations and mechanisms of direct democracy (Lindberg et al., 2014).

*H4.2: Autocracies with high levels of liberal component are more likely to become democracy.*

*H4.3: Autocracies with high levels of participatory component are more likely to become democracy.*

We should also notice that liberal component and participatory component of democracy are highly correlated with electoral component of democracy. High levels of electoral component of democracy help citizens to become part of the decision making process, such as member of the parliament. This gives citizens the chances to increase other types of component of democracy through legislation. In general, both liberal and participatory component of democracy come after electoral component of democracy.

These components of democracy are important to the transition to democracy as democracy requires cumulative experience of multiple elections and civil liberty practices. As I mentioned, citizens will need these components to help them to facilitate successful collective actions, both electoral and non-electoral, to remove the autocratic government from office.

# CHAPTER 5

## RESEARCH DESIGN

This chapter discusses the strategy and the method of testing my hypotheses. For the first stage of democratization, I will test the relationship between income inequality and different types of political liberalization, which is also conditional on economic development. For the second stage, I will test how political liberalization, such as electoral component, liberal component, and participatory component of democracy, are associated with democratization.

### 5.1 DATA AND EMPIRICAL STRATEGIES

In order to test my hypotheses, I rely on different sources of datasets to create a dataset that contains income inequality index, economic development index, and political liberalization indices, along with other control variables, such as GDP growth in per capita, post-Soviet Union country, Oil Exporting country, Islamic Culture, and democratic neighbors. The structure of my dataset is country-year, which includes information on more than 4,000 country-year observations involving as many as 125 countries over 50 years.

### 5.2 DEPENDENT VARIABLE (1): DEMOCRACY AND DICTATORSHIP

To test the effect of income inequality and economic development on democratization, I need to identify what countries should be included in my analyses. First of all, I need to identify those countries that were not democracies in the time period between 1960 and 2010. Second, I will also need to identify those countries that had

experienced democratic transition during this period. Therefore, the first step is to use an appropriate measurement to define democratic countries.

According to Przeworski (1991*b*)’s research, a democratic regime must have the government offices filled by contested elections. To be more specific, both the chief executive office, such as the president or prime ministers, and the legislative body, such as Congress and Parliament, must be filled by “contested” elections. More importantly, the elections should be implemented based on free and fair principles, which means that opposition candidates have the same chance of winning as the incumbent. In addition, all eligible citizens should have equal access to voting.

Przeworski (1991*b*) continued to point out that this minimalist measurement should contain at least three additional features in order to help us to identify democracies and non-democracies. The first feature is that we have to make sure the outcome of the election should not be known before it takes place. Second, the winner of the candidate or political party should actually take the office. Lastly, elections that meet these two features should occur regularly. Therefore, most scholars classified democracy and autocracy based on this minimalist dichotomous measure of political regime (e.g. Alvarez et al., 1996; Przeworski et al., 2000).

Later, this classification was extended by Cheibub, Gandhi and Vreeland (2010). They point out some shortcomings of this minimalist measurement. They argued that we need more rules to assess whether the offices were filled by contested elections. So, in order to classify democracy and autocracy, we need to follow these four rules: First, the chief executive must be chosen by popular election; Second, the legislative branch must be popularly elected; Third, there must be more than one political party competing in the elections. Fourth, an alternation in power under electoral rules identical to the ones that brought the incumbent to office must have taken place. These four rules provide a scrutiny standards to classify democracy to prevent wrong false classifications (Cheibub, Gandhi and Vreeland, 2010).

At the same time, Polity IV and Freedom House also provide their own measures of democracy. But Cheibub, Gandhi and Vreeland (2010) argued that their Democracy and Dictatorship dataset is different from Polity IV and the Freedom House because they conceptualized democracy differently. The purpose of this dissertation is to discuss democratization, the Democracy and Dictatorship dataset is more straightforward to identify democratic countries than Polity IV and Freedom House. Other than Polity IV and Freedom House, some scholars used trichotomous or polychotomous measures to classify different types of regime, such as Epstein et al. (2006). In Epstein et al. (2006)'s research, they classified regimes into three categories: full autocracy, partial democracy, and full democracy. But Cheibub, Gandhi and Vreeland (2010) argued that "the middle categories actually add little information since their distributions are bimodal". Essentially, the middle category contains the name of democracy, such as semi-democracy, it is still not a democracy. Therefore, measures of democracy should not be interchangeable (Cheibub, Gandhi and Vreeland, 2010).

Based on Democracy and Dictatorship dataset, I have 125 autocratic countries in my analyses. All of these countries were either non-democratic or have the experience of transition to democracy from 1960 and 2010. Some of the countries in my analyses were established after 1960 and some of them became democracy in early 1980s. Therefore, the total number of the observations is 4110. Table A.1 in the Appendix lists all 125 countries in my analyses and it is classified based on regions.<sup>1</sup>

In my analyses, there are 112 democratic transitions. Some countries in my analyses had difficulty maintaining their democratic rules, which they experienced multiple democratic transitions. For example, Thailand had experienced a coup four times in 1976, 1977, 1991, and 2006. Those coups did not last too long, as Thailand re-gained democratic rules after the end of these coups. However, the most recent coup hap-

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<sup>1</sup>Countries, such as Latvia, Lithuania, are not included in my sample is because these countries became democracy in the year of their independence.

pened in 2014. General Prayut Chan-o-cha, Commander of the Royal Thai Army (RTA), launched a coup against the Yingluck cabinet. Later, the military found a military junta, called National Council for Peace and Order (NCPO) to govern Thailand. Even though Thailand held a general election in 2019, but Prayut's party is still the largest party in the House of Representative. South Korea also experienced two democratic transitions. The May 16 military coup in South Korea in 1961 destroyed the democratic rule that was established in 1948. Park Chung-hee, the leader of the army, became the president of South Korea until his assassination in 1979. In June 1987, the June Democracy Movement brought mass protests and forced the government to hold free and fair elections, which led to the establishment of the Sixth Republic. After the election, South Korea became a democracy. Table A.2 in the Appendix lays out all democratic transitions in my dataset, I also include the number of democratic transitions for each country. Therefore, based on Democracy and Dictatorship dataset, I will test the relationship between income inequality, economic development, democratization among these 125 countries across 1960 to 2010.

### 5.3 DEPENDENT VARIABLE (2) AND EXPLANATORY VARIABLE: POLITICAL LIBERALIZATION

Coppedge et al. (2016) stated that democracy is more than simply elections. This idea has already reached many scholars, that many of them proposed different models of democracy in order to expand electoral definitions of democracy. For example, some important components, such as liberal constitutionalism, popular participation, socio-economic equality, and deliberation, became widely discussed (e.g Coppedge et al., 2011, 2016; Cunningham, 2002).

Since democracy has multi-dimensions, Lindberg et al. (2014) and Coppedge et al. (2016) offer key principles of measurement to define democracy, such as electoral component, liberal component, and participatory component of democracy. For the elec-

toral component, it extends Robert Dahl's (1967) concept of polyarchy that includes the following concepts: (1) elected officials; (2) free, fair and frequent elections; (3) freedom of expression; (4) associational autonomy; and (5) universal suffrage. The liberal component of democracy gauges how the civil liberties are protected, such as rule of law, checks and balance, that limit the use of executive power. The participatory component examines how much citizen can participate in all political processes. It especially focuses on non-electoral forms of political participation, such as civil society organizations.

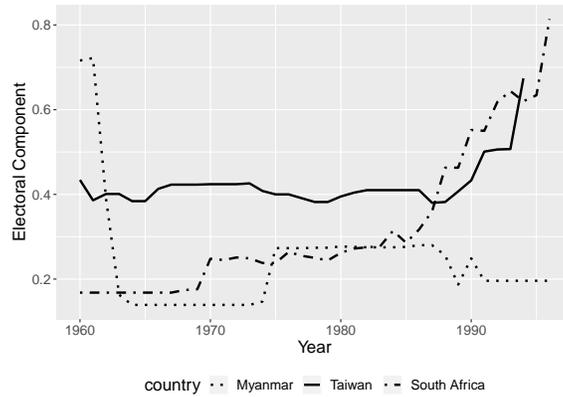
Even though the initial purpose for the above scholars was to offer a new measure to discuss about democracy, some of the principles and components they proposed can also be seen in non-democratic countries. For non-democratic countries, even though they do not meet the criteria of the minimalist democracy, many of them can possess some certain levels of the democratic component that Coppedge et al. (2016) proposed. For example, in 1969 Taiwan, the KMT government announced the first "supplementary" legislative election to fill in vacant seats in the Legislative Yuan. The KMT government continued to hold supplementary elections every three years until the lifting of the Martial Law in 1987. This example shows that even under autocratic rule, Taiwan still held some certain levels of electoral component of democracy.

But not every autocratic regime is the same, Myanmar held a general election in 1990. This election was the first multi-party election since 1960. Before the election, the government of Myanmar had been ruled by a military dictatorship for 30 years.<sup>2</sup> Compared to Taiwan under autocratic regime, the level of electoral component of democracy in Myanmar was lower than the level of electoral component of democracy in Taiwan. Figure 5.1 lays out values of electoral component of democracy for Taiwan

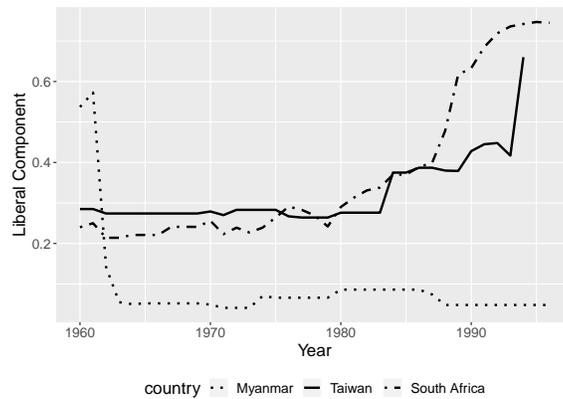
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<sup>2</sup>The election was won convincingly by Aung San Suu Kyi's National League for Democracy (NLD). However, the military government refused to recognize the results.

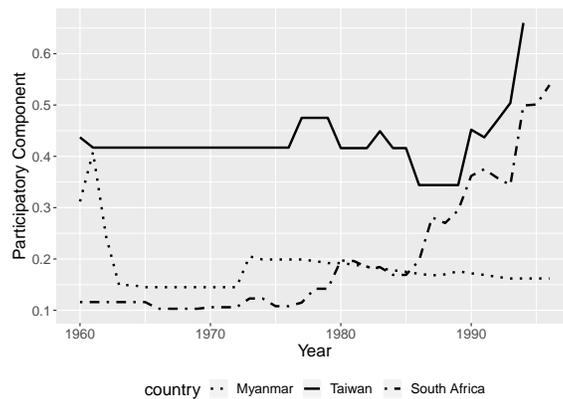
and Myanmar from 1960 to 1996 and South Africa from 1960 to 1994. All three countries were not democracy during this period, but all of them possessed some levels of electoral component of democracy and they all varied differently.



(a)



(b)



(c)

**Figure 5.1:** Components of Democracy for Myanmar, South Africa and Taiwan

This logic can also be applied to the liberal and participatory components of democracy. For liberal component of democracy, Taiwan and South Africa remained at similar levels before 1985, while Myanmar remained at relatively low levels. During the same time period, only Taiwan remained at relatively high levels of participatory component of democracy. Many of the civil organizations were allowed to form under KMT government. In South Africa, the level of participatory component started to increase around 1987. This was due to more and more nonviolent and violent actions to resist against apartheid (Abel, 2015).

According to the examples I mentioned above, different autocratic regimes have different levels of political liberalization or democracy. The Variety of Democracy (V-Dem) project provides different indices to measure different aspects of democracy (or political liberalization) (Coppedge et al., 2019). I will rely on electoral component, liberal component, and participatory component of democracy as the dependent variables in the first stage of my theory. In the second stage, these three components are the main explanatory variables to explain democratization.

#### 5.4 EXPLANATORY VARIABLE: INCOME INEQUALITY

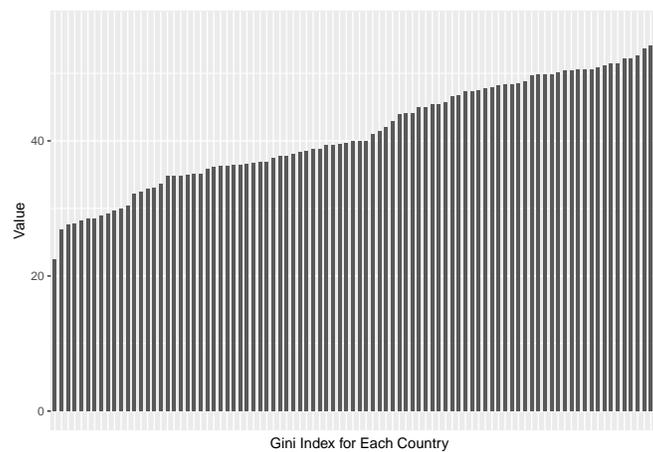
In order to test the association between income inequality and democratization, I rely on the Standardized World Income Inequality Database (SWIID) to get the information about income inequality for each country in my dataset. This SWIID dataset is constructed by Solt (2016). Solt relied on data from the Luxembourg Income Survey, the United Nations University's World Institute for Development Economics Research, and many other national and international sources to construct this SWIID dataset.<sup>3</sup> Even though both Luxembourg Income Survey and the U.N. dataset provide relatively comprehensive information on income inequality for each country, the biggest problem is that both of them have too many missing values. So,

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<sup>3</sup>For more information, please visit SWIID website: <https://fsolt.org/swiid/>

Solt (2009) stated that the SWIID maximizes the comparability of inequality data for the largest possible sample of countries and years.

The SWIID dataset uses Gini coefficient to measure income inequality. The Gini index describes the “distribution of income across size-adjusted households after government taxes and transfers are taken into account (Solt, 2015).” Theoretically, the Gini index ranges from zero to one-hundred. A Gini index of zero means the net income received by each household in the society is equally distributed. A Gini index of one-hundred means that all income in the society goes to a single household. In reality, there is no such society in the modern world that has Gini coefficient of zero or one-hundred. In my sample, the lowest Gini coefficient is 21.73 in Romania in 1990; the highest Gini coefficient, about 61.05, were observed in Swaziland in 1994. Based on the SWIID dataset, Figure 5.2 provides the Gini index for each country, both democratization and autocracy, in 2010 in my dataset. The Gini index can range from as low as 20 to as high as 60.



**Figure 5.2:** Gini Coefficient for Each Country, source: SWIID dataset

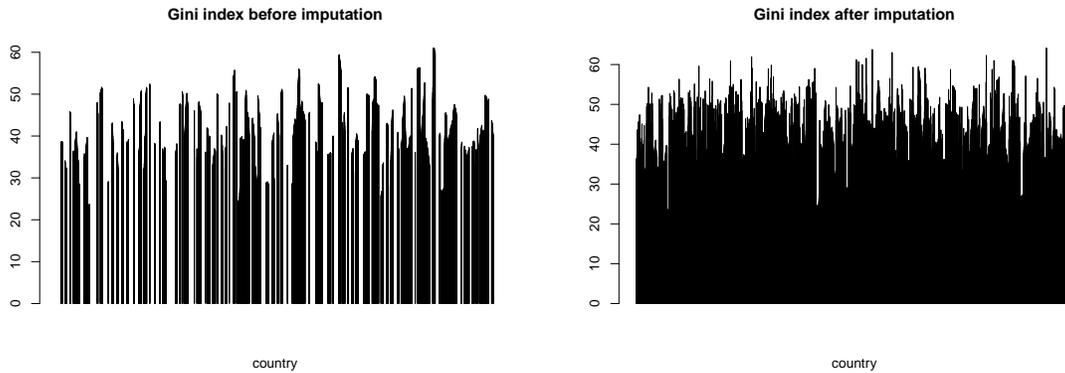
A problem still arises when we find that some of the Gini coefficients are still missing from the SWIID dataset. For example, the Gini index for Albania from 1960 to 1995 are still unavailable in the SWIID dataset. In my dataset, the total number of missing values for the Gini index is 2,404, which exceeds fifty percent of my sample.

This means that when I conduct my statistical analyses, my models will drop at least half of my observations, which will significantly jeopardize my theory and my findings. More importantly, the Gini indices for thirty-eight countries in the year of democratic transition are also unavailable. That is, missing values can produce biased estimates and will lead to invalid conclusions if we do not take actions.

Missing value is a common challenge to research. Both observational dataset and individual dataset are encountering the problem of missing value, which may lead to selection bias and could potentially invalidate the entire research. In order to reduce this uncertainty, Honaker and King (2010) developed an approach to analyzing data with missing value, which is useful for most “time-series cross-section” datasets. By using multiple imputation, we will greatly increase the information of our observations and we will be able to generate more robust and unbiased findings.

In R, I use the Amelia II package to perform multiple imputation to impute those missing values. For the Gini coefficient, it has a theoretical boundary, which ranges from zero to one-hundred. However, based on other information provided, the Amelia II package could generate values that either exceeds one-hundred or lower than zero. In order to satisfy this theoretical boundary, I specified the range from zero to one-hundred to refrain Amelia II from generating unsatisfied values. In Figure 5.2, we can clearly see that multiple imputation imputed those missing values in the original dataset, it also has the range between zero to one-hundred.

Some scholars prefer to use different indices to measure income inequality. For example, Houle (2016) used capital share of the value added in the manufacturing sector to measure economic inequality. Houle (2016) stated that “capital shares give the proportion of the value created within specific firms that accrues to the owners of these specific firms, as opposed to the laborers (513).” However, this index does not capture how the wealth actually distributed in the society, instead, it only captures how the value been distributed within a certain industry. Other scholars, like Ansell



(a) Before imputation

(b) After Imputation

**Figure 5.3:** Imputation for Gini coefficient of Income Inequality

and Samuels (2014), proposed that land inequality has the effect on democratization, instead of the distribution of the wealth. Even though there are some disagreement with the meaning and the measurement of income inequality, I will still stick with using the Gini index as the measure of income inequality because my theory focuses on economic development’s conditional effect on the association between income inequality and political liberalization.

## 5.5 EXPLANATORY VARIABLE: ECONOMIC DEVELOPMENT

As my theory lays out, I will bring back economic development to the discussion on the relationship between income inequality and democratization. Even though economic development has an association with democratization, it does not directly lead to democratization. But this unambiguous association should play an important role on the relationship between income inequality and democratization.

In this dissertation, I develop a proxy for economic development by using GDP per capita. This GDP per capita information comes from Penn World Tables dataset, which provides GDP per capita information between 1950 and 2015 (Feenstra and Timmer, 2014). GDP is the total market value of all final goods and services produced in a country, and GDP per capita is calculated by dividing GDP by a country’s

population. In my sample, the lowest GDP per capita is \$30 in Rwanda in 1962; the highest GDP per capita is \$45,933, it was observed in Singapore in 2010. Compared to SWIID dataset, the PWT dataset provides more comprehensive information of GDP per capita for each country. There are still 188 missing values in my sample, therefore, I also use multiple imputation to make sure my sample will not lose these information when running my statistical models. In my statistical models, I will add GDP per capita as an independent variable. I will also create an interaction term, which is the combination of Gini index and GDP per capita, to estimate how economic development conditions the effect of income inequality on political liberalization. The GDP per capita is also lagged by one year in the main results.

## 5.6 CONTROL VARIABLES

### 5.6.1 GDP PER CAPITA GROWTH

Beyond my main explanatory variables, I also include several control variables that may have correlations with political liberalization and democratization. This will provide a more clear picture about the effect of income inequality and the conditional effect of economic development. The first variable of interest is the growth of GDP per capita. This variable provides information about the changes of GDP per capita in percentage for each country in the certain year. The growth rate can be either positive or negative.

### 5.6.2 FORMER COMMUNIST COUNTRIES

The second control variable is a binary coding of whether the country is a former communist country. There are three types of country can be counted . The first type is the post-Soviet states, they are the 15 republics that gained independence from the Soviet Union following its breakup in 1991. The second type of the country is the former members of the Warsaw Pact. They are the member countries of the

**Table 5.1:** List of the Former Communist Countries

Post Soviet Union	Russia, Ukraine, Belarus, Uzbekistan, Kazakhstan, Georgia Azerbaijan, Moldova, Kyrgyzstan Tajikistan, Armenia, Turkmenistan
Former Member of Warsaw Pact	Albania, Bulgaria, Czech, Slovakia, Hungary, Poland, Romania
Others	China, Mongolia, Vietnam, Cuba, North Korea

Warsaw Pact in order to provide mutual defense. All member countries had a similar ideological stance with the Soviet-Union. The last category is neither post-Soviet states nor former member of the Warsaw Pact. These countries were Marxist-Leninist states, some of them were allied with the U.S.S.R., but did not belong to the Warsaw Pact. Table 5.1 lays out all three types of former Soviet alliance countries.

### 5.6.3 ISLAMIC CULTURE

In previous studies, scholars have expressed concern about the negative effect of the Islam culture on democratization (e.g Karatnycky, 2002), especially for countries with large Muslim population (Fish, 2002). I will add another control variable that has a binary coding of Islamic country. For this variable, 1 refers Islamic country, and 0 refers to others. To be more specific, Islamic country includes Islamic state and countries who endorsed Islam as their state religion. An Islamic state is a form of government based on Islamic law, which is normally written into the constitution.

### 5.6.4 OPEC MEMBER AND OIL RELIANCE

Oil rents can be translated into popular support for authoritarianism, therefore, reliance on oil and other mineral exports, reduces the likelihood of democracy (Barro, 1999; Ross, 2001; Fish, 2002). I add a control variable that is related to oil exporting. This variable is whether the country is the member of The Organization of the Petroleum Exporting Countries.

#### 5.6.5 DEMOCRATIC NEIGHBORS

According Huntington (1991), snowballing is one of the main causes of democratization, that a success of democracy in one country may cause other countries to democratize. The last control variable is to see how many democratic neighbors the country has. We may expect to see a spatial dependence effect that more democratic neighbor may bring about some effects on the autocratic regime.

#### 5.7 SUMMARY OF RESEARCH DESIGN

There are multiple choices of different measures for the variables I am using in this research. So this chapter carefully justifies the reasons why choosing these measures. The next chapter will provide empirical evidence for the first stage and the second stage of the movement to democratization. It will also discuss statistical models for testing my hypotheses.

## CHAPTER 6

# THE FIRST STAGE: THE INCREASE OF POLITICAL LIBERALIZATIONS

This chapter discusses the empirical results of the first stage of the two-stage process of democratization model. The first stage of my theoretical model hypothesizes that democratization does not occur in a short period, instead, an autocratic regime moves slowly from low political liberalization to high liberalization before becoming a democracy. I will present several statistical models to illustrate how income inequality and economic development are associated with different types of political liberalization.

### 6.1 IS THERE A DIRECT CONNECTION BETWEEN INCOME INEQUALITY, ECONOMIC DEVELOPMENT AND DEMOCRATIZATION?

Before moving to discuss the effect of income inequality and the effect of economic development on political liberalization, I look into some models to observe if there is a direct relationship between these economic variables and democratization.

Table 6.1 lays out models to test the relationship between two explanatory variables and democratization. The dependent variable in all models are the dichotomous measure of democratization. For model 3, GDP per capita is positive but not significant. The Gini index is also positive and is significant. Also, the interaction between GDP per capita and the Gini index is not significant. The results in Table 6.1 show unclear relationship between economic indicators and democratization, be-

**Table 6.1:** Preliminary Results of Models of Democratization

	<i>Dependent variable:</i>		
	Democratization: 0/1		
	(1)	(2)	(3)
GDP per capita <sub>-1</sub>	0.019 (0.045)		0.257 (0.280)
Gini index <sub>-1</sub>		2.024 (1.481)	2.843* (1.727)
GDP <sub>-1</sub> *Gini <sub>-1</sub>			-0.597 (0.708)
Constant	-3.743*** (0.165)	-4.604*** (0.632)	-4.902*** (0.732)
Observations	3,742	3,930	3,742
Log Likelihood	-473.423	-476.828	-472.080
Akaike Inf. Crit.	952.847	959.656	954.160
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01		

cause it provides insufficient information to explain it. This gives me the opportunity to think about how we can connect the relationship between income inequality, economic development, and democratization. As I proposed in this dissertation, both income inequality and economic development may be associated with democratization, but they affect each other indirectly. The following sections discuss the effect of income inequality and economic development on political liberalization.

## 6.2 MODEL SPECIFICATION FOR THE FIRST STAGE

In order to test my hypotheses, I compile a dataset of autocratic regimes and countries that experienced democratic transition between 1960 and 2010. The final dataset contains 122 countries and the total number of observation is 4,223. This dataset has repeated observations on the same countries, therefore, “time-series cross-section”

(TSCS) models are useful for testing my hypotheses because the variation in the dependent variables comes from both the dynamic and cross-sectional factors (Beck, 2001). For my models, I use a mixed effect models to estimate the effect of my explanatory variables.

### 6.3 THE INCREASE OF THE ELECTORAL COMPONENT

I present my findings for the electoral component mode in Table 6.2. The electoral component of democracy, as theorized by Lindberg et al. (2014), is a “thin” concept that focuses on “the core value of making rulers responsive to citizens through competition for the approval of a broad electorate during periodic elections.” Model 1 is the result without the interaction between the Gini index and GDP per capita. For GDP per capita, holding all else constant, it is positive and statistically significant. This means that the increase of GDP per capita is correlated with the increase of the electoral component of democracy. The Gini index is also positive but it is not significant. Model 2 in the same table, I include an interaction between the Gini index and GDP per capita. The result shows that this interaction is positive and statistically significant at  $p < 0.05$ , suggesting that rich and unequal countries are less likely to develop higher levels of electoral component of democracy. The Gini index becomes significant, meaning that when GDP per capita is zero, high income inequality is positively associated with electoral component of democracy.

**Table 6.2:** Estimates of electoral component of democracy

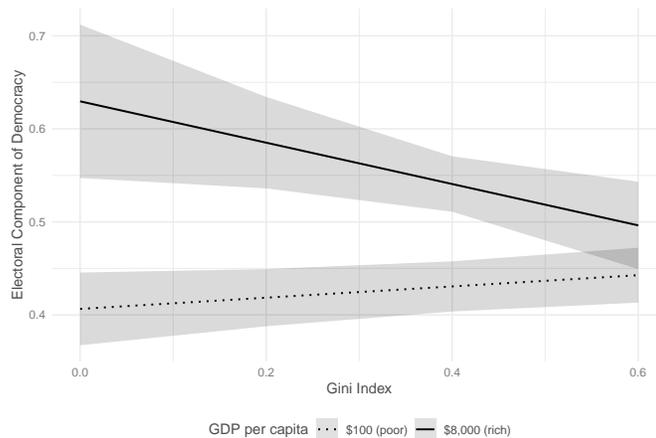
	<i>Dependent variable:</i>			
	Electoral Component of Democracy			
	(1)	(2)	(3)	(4)
GDP per capita <sub>-1</sub>	0.014*** (0.001)	0.028*** (0.006)	0.028*** (0.006)	0.026*** (0.006)
Gini index <sub>-1</sub>	0.029 (0.038)	0.068* (0.042)	0.064 (0.042)	0.025 (0.042)
GDP <sub>-1</sub> *Gini <sub>-1</sub>		-0.036** (0.016)	-0.036** (0.016)	-0.033** (0.015)
Economic growth				0.068*** (0.026)
Former Communist			-0.048 (0.038)	-0.055 (0.039)
Islamic culture			-0.081** (0.038)	-0.076* (0.041)
OPEC			0.040 (0.043)	0.059 (0.043)
Regional democracy				0.113*** (0.009)
Military coup				-0.020*** (0.006)
Constant	0.401*** (0.020)	0.385*** (0.022)	0.404*** (0.024)	0.386*** (0.025)
Observations	3,892	3,892	3,892	3,637
Akaike Inf. Crit.	-4,428.359	-4,424.996	-4,411.053	-4,272.094

*Note:*

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

Model 3 and model 4 in Table 6.2 both include more control variables. After adding control variables, the results of the interaction between the Gini index and GDP per capita remain the same in both models. For those control variables, economic growth is positive but not statistically significant. For countries that were formally allied with the Soviet Union have an effect on the electoral component of democracy. Islamic state is negative and statistically significant, meaning that countries that endorsed Islam as their state religion are less likely to develop the electoral component of democracy. This finding is consistent with previous studies, such as Fish (2002) and Karatnycky (2002). Members of the OPEC are not associated with electoral component of democracy.

If a country has democratic neighbors, it is positively associated with more electoral component of democracy. As Huntington (1991) suggests, democracy has a spillover/snowballing effect, which might influence democracy’s non-democratic neighbors. However, the dependent variable for Table 6.2 is one of the measure of political liberalization, not democracy. Lastly, if a country experienced a military coup, the effect on electoral component is negative and statistically significant. This type of country may be more fragile.



**Figure 6.1:** Conditional Effect of Economic Development on the association between Income Inequality and Electoral Component of Democracy, (with 90% CI)

Figure 6.1 illustrates the predicted values of electoral component of democracy using model 3 in Table 6.2. The solid line in Figure 6.2 depicts the expected values of the electoral component of democracy for rich autocratic regimes. First, a rich and low income inequality country has higher levels of electoral component. Citizens in a *rich and equal autocratic regime* benefit from a good economy. We may expect to see citizens reward the autocratic government due to good economy, therefore, the demand for more political liberalizations may not be necessary. But citizens in this type of country may look for more property protection since the autocratic government may not be credible in protecting citizens' property. They may also look for other social issues because they are strong enough to do it. Therefore, participating in the decision making process is important for the citizens who benefited from good economy.

Elections, even though may not be highly free and fair, are less costly than other means, such as protests, to achieve their goals. For the autocratic government, gradually releasing small degrees of electoral rights may temporarily fulfill the demand from citizens who look for property right protection. Choosing repression is not rational, as citizens in this type of country are relatively strong due to economic growth.

Second, in a *rich and highly unequal autocratic regime*, the expected levels of the electoral component of democracy is lower than in a rich and equal autocratic regime. Even though this type of country is rich, the wealth is not distributed fairly, meaning that ordinary citizens are too weak to organize the opposition for more access to the decision making process. Their priority is certainly income redistribution, but when facing a strong autocratic government who possess most resources, asking for economic interests from the government is the "substitute" demand. For the autocratic government, since it is rich and strong, simply distributing a little from their benefits to the fellow citizens may be helpful in eliminating discontents. Therefore, this type of autocracy is associated with lower levels of electoral component of democracy.

In the same figure, the dashed line depicts the expected values of the electoral component of democracy for poor autocratic regimes. The expected values of the electoral component of democracy in unequal autocratic regimes are higher than in equal autocratic regimes. But the level of the electoral component of democracy in *poor and unequal autocratic regimes* does not increase significantly. This implies that citizens have less incentive to ask for political reforms in poor autocracies, but highly unequal autocratic regimes still have higher chances to increase political liberalization. Poor citizens are too poor and they are not satisfied with the limited resources, which have been distributed unfairly. Poor citizens ask for more political powers in order to not just redistribute the limited resources, but may also focus on economic development, since the autocratic government failed to do the both.

#### 6.4 LIBERAL COMPONENT OF DEMOCRACY

In Table 6.3, I report models of the liberal component of democracy. Model 2 is the result with the interaction between the Gini index and GDP per capita. For GDP per capita, holding all else constant, it is positive and statistically significant. Since this model includes the interaction term, this means that the increase of GDP per capita is correlated with the increase of the liberal component of democracy when the *Gini index* is zero. On the other hand, the Gini index in the model is also positive and statistically significant at  $p < 0.01$ , suggesting that the increase of the Gini index is correlated with the increase of the liberal component of democracy when the *GDP per capita* is zero. For the interaction term of the Gini index and GDP per capita, it is negative and statistically significant at  $p < 0.05$ . This result suggests that a rich and unequal country has a negative effect on the liberal component of democracy, which may be harmful for democratization in the future.

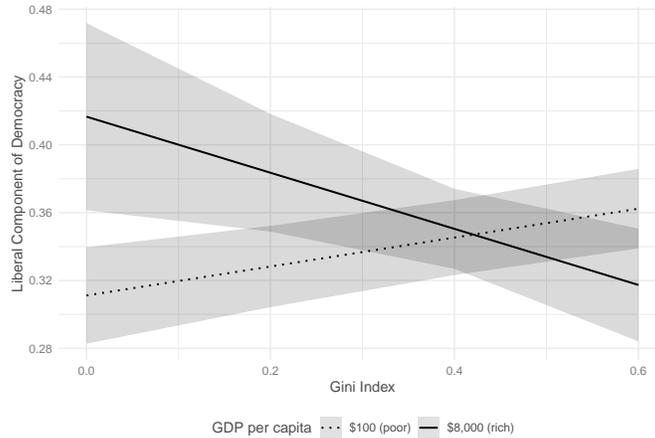
**Table 6.3:** Estimates of liberal component of democracy

	<i>Dependent variable:</i>			
	Liberal component of democracy			
	(1)	(2)	(3)	(4)
GDP per capita <sub>-1</sub>	0.001 (0.001)	0.012*** (0.004)	0.012*** (0.004)	0.013*** (0.004)
Gini index <sub>-1</sub>	0.073*** (0.023)	0.101*** (0.026)	0.097*** (0.026)	0.088*** (0.027)
GDP <sub>-1</sub> *Gini <sub>-1</sub>		-0.027*** (0.010)	-0.027*** (0.010)	-0.032*** (0.010)
Electoral Democracy <sub>-1</sub>	0.637*** (0.010)	0.636*** (0.010)	0.636*** (0.010)	0.647*** (0.011)
Economic growth				0.018 (0.016)
Former Communist			-0.091*** (0.031)	-0.088*** (0.029)
Islamic culture			-0.005 (0.031)	0.016 (0.032)
OPEC			-0.035 (0.031)	-0.039 (0.030)
Regional democracy				0.012** (0.006)
Military coup				-0.021*** (0.004)
Constant	0.040*** (0.015)	0.028* (0.016)	0.047*** (0.018)	0.039** (0.018)
Observations	3,858	3,858	3,858	3,604
Log Likelihood	4,032.951	4,032.831	4,029.893	3,779.496
Akaike Inf. Crit.	-8,053.902	-8,051.663	-8,039.787	-7,532.993
Bayesian Inf. Crit.	-8,016.354	-8,007.858	-7,977.208	-7,452.526

*Note:*

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

In Figure 6.2, I depict the expected values for the liberal component of democracy for poor (\$100, the dashed line) and rich (\$8,000, the solid line) countries. First, when income inequality is low in rich autocratic regimes, the expected liberal component of democracy is higher than in rich autocratic regimes with high income inequality. For citizens in *rich and equal autocratic regimes*, as I mentioned previously, the reason they ask for more civil liberties and a strong rule of law may be because they are looking for better property right protection. By having a higher level of civil liberties and a stronger rule of law, it implies that their properties can be better protected. For citizens in *rich and unequal autocratic regimes*, civil liberties and rule of law are not their primary goals, they mainly are looking for economic opportunities from the rich, such as job opportunities or housing policies. Since, there is not much demand from citizens, the autocratic government of this type of country has less incentive to make changes on civil liberties and rule of law.



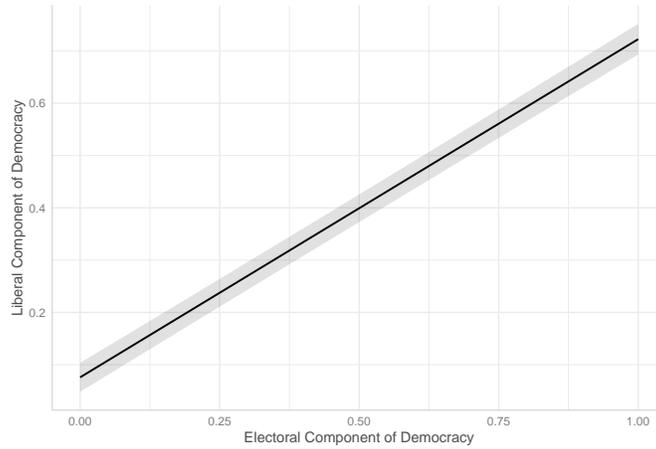
**Figure 6.2:** Conditional effect of economic development on the association between income inequality and liberal component of democracy

The dashed line in Figure 6.2 depicts the expected values for the liberal component of democracy for poor autocratic regimes. When income inequality is low in poor autocratic regimes, citizens have less motivation to ask for more political reforms. Poor citizens realize that there is not much they can get from the rich, since everyone

is almost equally poor. However, when income inequality is high in poor autocratic regimes, the level of the liberal component of democracy is higher. Why do poor citizens ask for more civil liberties and a stronger rule of law? First, these new rights may help poor citizens ask for more income redistribution from the rich as the limited resources are in rich's hands. Second, as citizens pressure the autocratic government to focus on economic development and to reduce income inequality, higher levels of the liberal component of democracy may also help them to keep away autocratic government's punishments.

However, where does the liberal component of democracy comes from? Does the autocratic government always grant it when citizens ask for it? As Lindberg et al. (2014) propose, the liberal component of democracy is "achieved through constitutionally protected civil liberties, strong rule of law, and effective checks and balances that limit the use of executive power," which implies that it may have to be passed and signed into laws. These rights may be given from the autocratic government, but elections may be helpful when citizens are looking for these rights. Elections provide opportunities for citizens to be part of the decision making process, that increases the chances to make civil liberties into law.

Therefore, I include the electoral component of democracy in all my models as one of the explanatory variables. After controlling all other variables, the electoral component of democracy in all models in Table 6.3, is positive and statistically significant at  $p < 0.01$ . This means that electoral component of democracy and liberal component of democracy are highly correlated (see Figure 6.3), which suggests that elections in autocratic regimes may promote higher levels of civil liberties and a stronger rule of law. Even though the statistical result does not tell us the causal relations between the two, in theory, civil liberty protections may come after having the rights to participate in elections. Therefore, if citizens can be represented in the government, it may help citizens to gain more civil liberty protections through legislations.



**Figure 6.3:** The association between electoral component of democracy and liberal component of democracy

For other control variables in model 3 in Table 6.3, the result is consistent with the model of electoral component of democracy in Table 6.2. Regional democracy is still positively associated with the liberal component of democracy, while military coup is still harmful on this component of democracy.

## 6.5 PARTICIPATION: NON-ELECTORAL ACTIVITIES

The last component of democracy that may increase due to income inequality and economic development is the participatory component of democracy. The participatory component of democracy is the values of active participations for all citizens in non-political forms of political participation, this includes civil society organizations (Lindberg et al., 2014). Citizens have the motivations to ask for higher levels participation to help them to achieve their primary goals. I present the findings for the participatory component of democracy models in Table 6.4.

**Table 6.4:** Estimates of participatory component of democracy

	<i>Dependent variable:</i>			
	Participatory Component of Democracy			
	(1)	(2)	(3)	(4)
GDP per capita $_{-1}$	0.003*** (0.001)	0.011*** (0.003)	0.011*** (0.003)	0.010*** (0.003)
Gini Index $_{-1}$	0.030 (0.020)	0.050** (0.022)	0.047** (0.022)	0.037 (0.023)
GDP $_{-1}$ *Gini $_{-1}$		-0.018** (0.008)	-0.018** (0.008)	-0.018** (0.008)
Electoral Democracy $_{-1}$	0.463*** (0.009)	0.462*** (0.009)	0.462*** (0.009)	0.455*** (0.009)
Economic Growth				0.011 (0.014)
Former Communist			-0.076*** (0.027)	-0.076*** (0.027)
Islamic culture			-0.027 (0.027)	-0.020 (0.029)
OPEC			-0.0003 (0.027)	0.003 (0.026)
Regional democracy				0.028*** (0.005)
Military coup				-0.007** (0.003)
Constant	0.077*** (0.013)	0.069*** (0.014)	0.086*** (0.015)	0.083*** (0.016)
Observations	3,890	3,890	3,890	3,636
Log Likelihood	4,682.931	4,681.521	4,677.511	4,395.238
Akaike Inf. Crit.	-9,353.861	-9,349.043	-9,335.023	-8,764.475
Bayesian Inf. Crit.	-9,316.264	-9,305.179	-9,272.361	-8,683.893

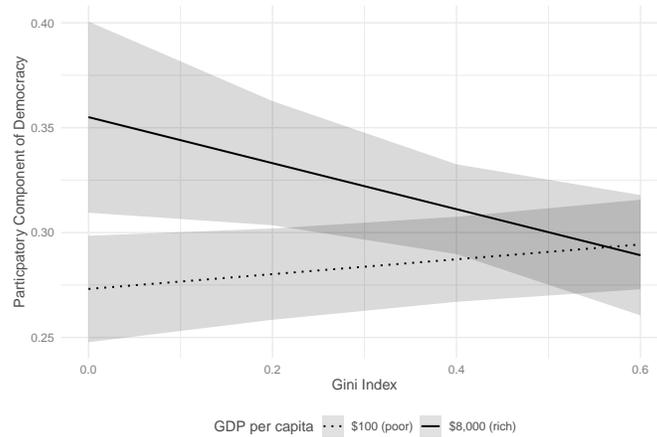
*Note:*

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

Model 2 is the result with the interaction between the Gini index and GDP per capita. For GDP per capita, holding all else constant, it is positive and statistically significant. Since this model includes the interaction term, this means that the increase of GDP per capita is correlated with the increase of the participatory component of democracy when the *Gini index* is zero. On the other hand, the Gini index in model 2 is also positive and statistically significant at  $p < 0.01$ , suggesting that the increase of the Gini index is correlated with the increase of the participatory component of democracy when the *GDP per capita* is zero. For the interaction term of the Gini index and GDP per capita, it is negative and statistically significant at  $p < 0.01$ . This result suggests that a rich and unequal country has a negative effect on the participatory component of democracy, which may be harmful for democratization in the future.

I also depict the expected values for the participatory component of democracy as shown in Figure 6.4. For citizens in rich and equal autocratic regimes, their primary goal is property right protection. A strong civil society may help them to solve the collective action problem when reaching out to the autocratic government for making a credible promise in protecting their properties. On the other hand, again, the incentive for citizens to ask for more participation decreases in rich and unequal autocratic regimes. This is because poor citizens are facing a strong government. Besides more income redistribution, poor citizens' primary goal may also include more job opportunities, which may heavily rely on the rich's authoritative distributions. Therefore, the level of the participatory component of democracy remains low because the demand is scarce.

In poor autocratic regimes, citizens have no incentives to ask for more participation when income inequality is low. They acknowledge that there is not much resource in the society. Since the society is relatively equal, citizens will not be able to gain more resource from the rich. For poor and unequal autocratic regimes, the expected



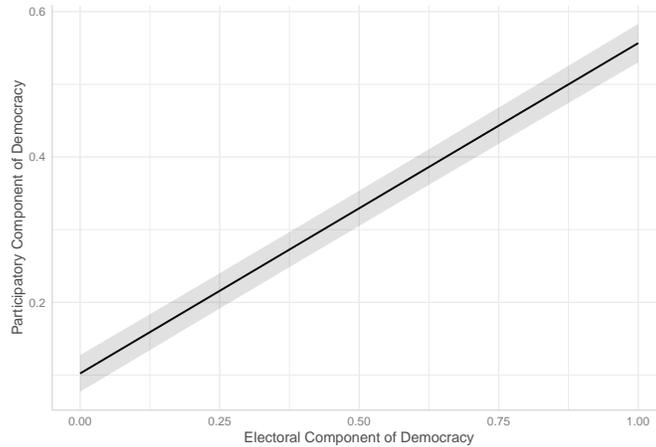
**Figure 6.4:** Conditional Effect of Economic Development on the association between Income Inequality and the Participatory Component

levels of participatory component of democracy is higher than poor and equal autocratic regimes. A stronger civil society helps poor citizens to ask for redistribution from the rich because the rich possess the limited resource the society has.

Figure 6.5 also shows a strong correlation between the electoral component of democracy and the participatory component of democracy. As I mentioned previously, the electoral component democracy may help a country to develop other components of democracy. Even though the evidence does not show a clear causal relationship, other types of components of democracy are difficult to be developed without the help of electoral component of democracy. The right of organizing and maintaining civil society should be written into law, which can be achieved through legislations by elections.

## 6.6 SUMMARY OF THE FIRST STAGE

In the first stage of the process of democratization, I find that both income inequality and economic development are associated with the electoral component, liberal component, and participatory component of democracy. However, the interaction between income inequality and economic development is negatively associated with



**Figure 6.5:** The association between the electoral component of democracy and the participatory Component

political liberalization. This suggests that an unequal and rich autocratic regime is less likely to grant political liberalization to their fellow citizens. For citizens in equal and rich autocratic regimes, the reason why they ask for more political liberalization is because they are looking for more property right protections. Political liberalization can increase in poor and unequal autocratic regimes. Poor citizens are looking for redistribution and more economic opportunities if they can be part of the decision making process.

Moreover, the electoral component of democracy may be helpful for the increase of the liberal and participatory components of democracy. Elections may assist the poor and the oppositions to become part of the decision making process, such as members of the parliament. Being part of the decision making process, other types of political liberalization are more likely to be promoted and protected.

## CHAPTER 7

# THE SECOND STAGE: POLITICAL LIBERALIZATION AND DEMOCRATIZATION

The previous chapter discusses the relationship between income inequality, economic development, and political liberalization. In this section, I will discuss how to connect political liberalization and democratization in the second stage process of democratization. In the second stage, citizens had learned from their semi-democratic institutions, such as election, rule of law, and civil society. This slow and progressing learning process helps citizens to develop less pro-authoritarian attitudes and a less hierarchical society, which may eventually help democratization.

### 7.1 MODEL SPECIFICATION

The dependent variable is a binary coding of democratization: zero means no democratization for country X in year Y, and one means democratization for country X in year Y. For example, democratization variable is one for Taiwan in 1996. When the dependent variable is a binary, most studies employ maximum likelihood estimation (MLE), such as logistic regression, to estimate the models (Long and Freese, 2006).<sup>1</sup> For my dataset, the observations consist of country years, and cluster by country. I

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<sup>1</sup>While many studies choose to use MLE regression when the dependent variable is binary, I have decided to use linear probability model (LPM), which employs the ordinary least squares (OLS) regression. Recently, many studies have pointed out the weakness of using logit or probit model when an outcome variable is binary (e.g Gibson, 2019; Hellevik, 2009). Breen, Karlson and Holm (2018) point out that it is difficult to interpret the results when using non-linear probability models. Instead, an OLS regression allows researchers to interpret our the results straightforwardly, in particular the one of the interaction term.

therefore use a multilevel model with both fixed and random effects. Mixed effect or hierarchical linear models (HLM) take account of the correlations between the error terms and allow us to estimate both the effects at two different levels. For my models, the first level is the level of country-year variables, and the second level is the variables that vary across countries.

## 7.2 EMPIRICAL RESULTS

In Table 7.1, I present three different models of democratization. Since the electoral component of democracy is highly correlated with the liberal and the participatory components of democracy (see Chapter 6), I only include one of the components of democracy as the main explanatory variable for each model.

Model 1 in Table 7.1 presents the effect of the electoral component of democracy on democratization. This variable is lagged for one year in order to examine if the previous year of the level of electoral democracy has effect on the likelihood of democracy in the next year. As expected, the electoral component of democracy is associated with democratic transition. We see a positive correlation between the electoral component of democracy and democratization. As I mentioned, democratization is a learning process for citizens to realize the benefits of having democratic institutions. This learning process may also decrease citizens' respect for the authority and may make the society less hierarchical. As long as citizens can have some accesses to the decision making process, such as becoming the member of the parliament, they do not have to always to rely on the autocratic government to provide public goods. Eventually, elections may be one of the means to remove the autocratic government.

The second model presents the relationship between the liberal component of democracy and democratization. The result is positive and statistically significant at  $p < 0.01$ , which suggests that autocratic regimes with higher liberal component

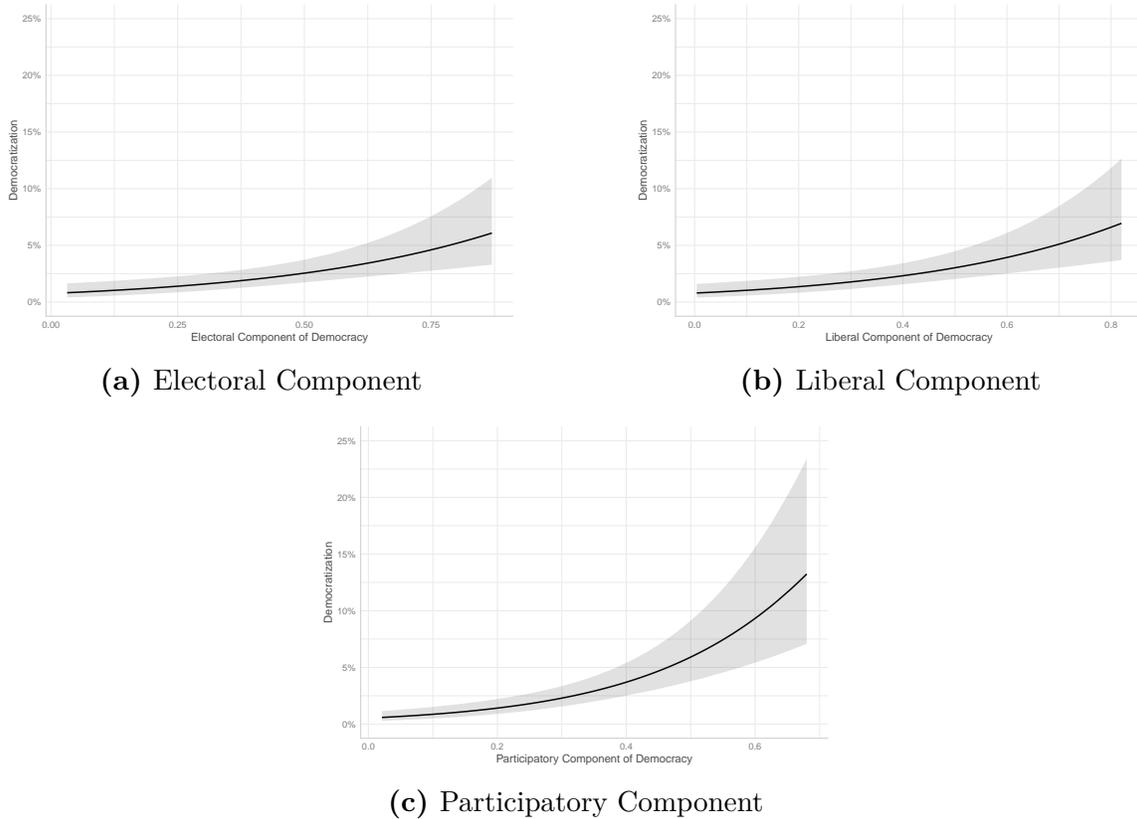
of democracy, such as civil liberties and rule of law, have higher chances to become democracies, as Figure 7.1 (b) depicts. The liberal component of democracy focuses on civil liberties and the constraints on the autocratic government. The constraints on the executives may decrease autocratic government's ability to violate civil liberties and may weaken the exercises of the executive power. Under this circumstance, citizens realize that government's power has been constrained, which may increase the incentives to ask for democratization as citizens know democratic institutions can protect their civil liberties and rights.

**Table 7.1:** Models of Political liberalization and Democratization (I)

	<i>Dependent variable:</i>		
	Democratization: 0/1		
	(1)	(2)	(3)
	Electoral	Liberal	Participatory
<b>Liberalization</b>			
Electoral $_{-1}$	2.453*** (0.663)		
Liberal $_{-1}$		2.728*** (0.692)	
Participatory $_{-1}$			4.929*** (0.877)
<b>Economy</b>			
GDP per capita $_{-1}$	0.348 (0.303)	0.365 (0.324)	0.388 (0.284)
Gini index $_{-1}$	1.241 (1.935)	1.596 (1.952)	0.326 (1.945)
GDP $_{-1}$ * Gini $_{-1}$	-0.883 (0.784)	-0.941 (0.839)	-0.952 (0.749)
Economic Growth	0.624 (1.400)	0.775 (1.412)	0.798 (1.443)
Former Communist	-0.681 (0.458)	-0.610 (0.475)	-0.496 (0.448)
Islamic Culture	-1.073** (0.488)	-1.132** (0.493)	-1.172** (0.484)
OPEC	-0.972 (0.700)	-0.786 (0.714)	-1.287* (0.698)
Regional Dem.	0.779*** (0.261)	0.888*** (0.264)	0.645** (0.258)
Military coup	0.178 (0.218)	0.203 (0.218)	0.214 (0.213)
Constant	-5.373*** (0.894)	-5.473*** (0.898)	-5.385*** (0.878)
Observations	3,468	3,454	3,487
Log Likelihood	-403.662	-406.096	-396.917
Akaike Inf. Crit.	831.324	836.193	817.835
Bayesian Inf. Crit.	905.140	909.960	891.716

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01



**Figure 7.1:** Political liberalization on Democratization (with 90% CI)

The third model is the result of the relationship between participatory component of democracy and democratization. This model shows that participation democracy is positive and statistically significant at  $p < 0.01$ , meaning that the active participation, both electoral and non-electoral, is associated with democratization. Specifically, the electoral element for this variable not only includes local and regional elections, but also includes the non-electoral element. The non-electoral element of participation refers to the engagement in civil society organizations (Coppedge et al., 2016). This type of political liberalization describes citizens ability in organizing their civil society organizations, which helps them to pursue their collective interests and ideals. Hence, this implies that solving collective action problems becomes possible in autocratic regimes if citizens have been granted the rights to organize civil society organizations. Therefore, the likelihood of democratization thus increased.

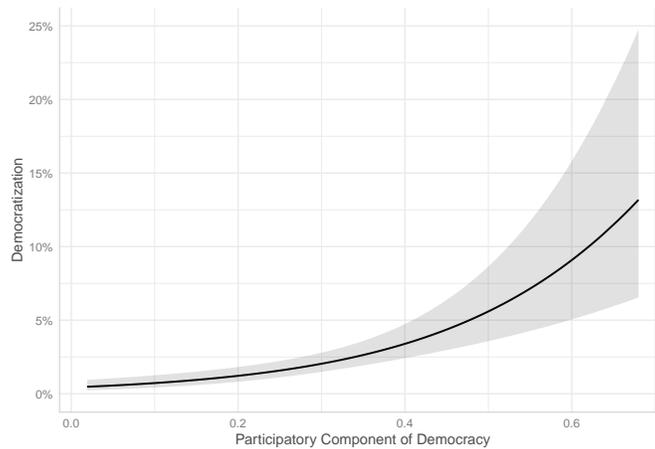
**Table 7.2:** Models Political liberalization and Democratization (II)

	<i>Dependent variable:</i>	
	Democratization	
	(1)	(2)
<b>Political liberalization</b>		
Electoral component <sub>-1</sub>	0.054 (0.935)	-0.227 (1.007)
Liberal component <sub>-1</sub>	0.883 (0.927)	0.962 (1.002)
Participatory component <sub>-1</sub>	5.225*** (1.020)	4.527*** (1.043)
GDP per capita <sub>-1</sub>		0.382 (0.295)
Gini index <sub>-1</sub>		0.252 (1.986)
GDP <sub>-1</sub> *Gini <sub>-1</sub>		-0.950 (0.776)
Economic Growth		0.651 (1.456)
Former Communist		-0.457 (0.461)
Islamic Culture		-1.176** (0.494)
OPEC		-1.167 (0.711)
Regional Democracy		0.680** (0.268)
Military coup		0.210 (0.216)
Constant	-5.745*** (0.373)	-5.512*** (0.920)
Observations	3,877	3,435
Log Likelihood	-443.287	-391.774
Akaike Inf. Crit.	896.573	811.548
Bayesian Inf. Crit.	927.887	897.533

*Note:*

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

All three models show that all types of political liberalization are associated with democratization. However, when I add all three types of political liberalization into the same model (see Table 7.2), only the participatory component of democracy is associated with democratization. As depicted by Figure 7.2. Both the electoral component and the liberal component of democracy are not significant. A possible explanation is that organizing social groups or social movement and the participation in these activities may be more decisive in pushing the autocratic government to step down. Election, civil liberties, and rule of law are certainly very important, but participation may put more pressure on the autocratic government, such as protest in the streets. This may push the autocratic government to accept the result of the

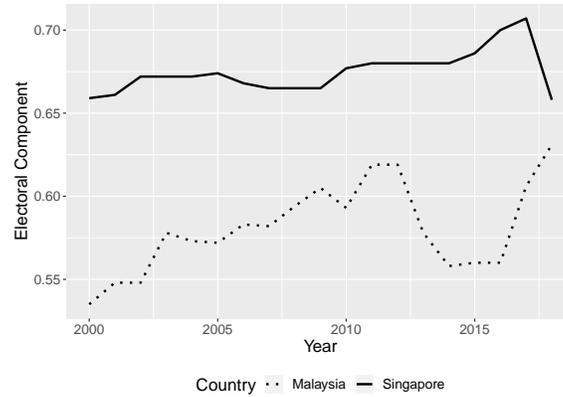


**Figure 7.2:** The Effect of the Participatory Component of Democracy on Democratization from Table 7.2

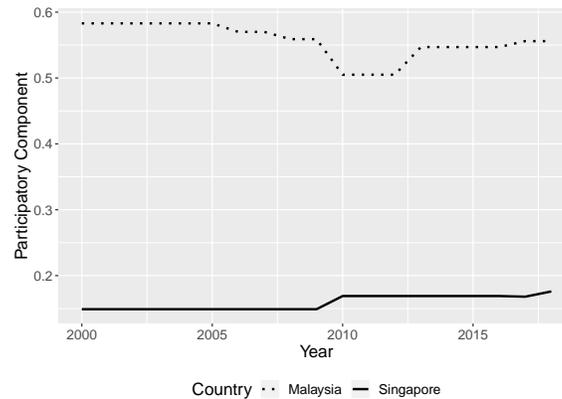
election and step down, or simply just leave the office before holding the election. However, it does not mean democratization can happen without having the electoral and liberal components of democracy. As mentioned, elections give the oppositions the opportunity to be part of the decision making process, which may provide the chances for the legislations on civil liberties, rule of law, and participation.

#### 7.2.1 TWO CASES: SINGAPORE AND MALAYSIA

Singapore and Malaysia are both considered as non-democratic or semi-democratic or partly free countries even we use different dataset. Both countries are holding regular national election periodically with universal suffrage and party competition. In 2019, Malaysia had its first government turnover in Malaysia's modern history, the opposition Pakatan Harapan (PH) coalition defeated the incumbent Barisan Nasional (BN) coalition in May general elections in 2019. It brought an end to more than six decades of rule by the United Malays National Organization (UMNO) and its allies. In meantime, the Singaporean government has been dominated by the ruling People's Action Party (PAP) and the family of current prime minister Lee Hsien Loong since 1959. In the 2015 general election, The PAP still won over 90% of the seat in the



(a) Electoral Component



(b) Participatory Component

**Figure 7.3:** Electoral Component and Participatory Component of democracy in Singapore and Malaysia (2000-2019, source: V-Dem dataset)

parliament. As Figure 7.3(a) shows, there is not much difference of the electoral component of democracy between Singapore and Malaysia after 2016. If both countries hold similar levels of the electoral component of democracy, why did Malaysia experience government turnover while Singapore still remain an authoritarian one party rule? We may argue that the loss of UMNO may be attributed to the corruption of the Najib administration. But if same happens in Singapore, citizens may not be able to remove the PAP administration from office even they have elections.

As my theory suggests, the participatory component of democracy provides citizens the ability to solve the collective action problem. Compared to Singapore, Malaysia is relatively poor and unequal (GDP per capita was \$3,800 and the Gini

index was 46 in 2000), which may be associated with higher political liberalization, including the participatory component of democracy. Figure 7.3(b) illustrates that the levels of participatory component of democracy in Singapore and Malaysia between 2000 and 2019. The differences between two countries is approximately 0.45 across this time period. This difference in the levels of participatory component of democracy may provide a good explanation.

High levels of participation imply that citizens have the capacity to form civil society organizations and to organize events and activities more freely, which may help them to coordinate their members more efficiently. Malaysia's Prime Minister Najib Razak was accused of corruption in 2015, which was critical to the 2018 general elections. The high levels of participation may help the oppositions in Malaysia to coordinate their supporters to vote against the incumbent party. Malaysia's 2018 general election may not be the best example because Malaysia is still not considered as a democracy. But the turnover sends a message to demonstrate that high participation may have higher chances to remove the incumbent in autocracies. If the same political scandal happens in Singapore, since the levels of participation is low, it may be harder for the oppositions to coordinate or mobilize their supporters to vote against the PAP.

This may help us to understand why participatory component of democracy predicts higher probability of democratization than electoral component of democracy in Figure 7.1. The results extends the research by Lindberg (2009) that election may not be the only driving force for democratization, participation is also play an important role.

### 7.3 ROBUSTNESS CHECK

According to Cheibub, Gandhi and Vreeland (2010)'s minimalist coding of democratization, the coding rules include the following four guidelines: First, the chief

executive must be chosen by popular election; Second, the legislative branch must be popularly elected; Third, there must be more than one political party competing in the elections. Fourth, an alternation in power under electoral rules identical to the ones that brought the incumbent to office must have taken place. According to these four coding guidelines, democratization can be defined as having free and fair election that elects a new head of the executive. This means that the level of electoral component of democracy is also very high during the year of democratic transition. Since the level of the electoral component of democracy during the year of democratization is highly correlated with democratization, this is the reason why I avoid using it as the predictor in the previous models. In my democratization models, I lagged the components of democracy for one year as a predictor to avoid bias.

In my theory, I am not assuming that high electoral component can always remove the autocratic incumbent from office *through elections*. The electoral component means more opportunities for citizens to learn the advantages of having democracy. That is, the electoral component may not only play an important role in elections, but may also help citizens to be more engaged in both political and non-political processes. A high electoral component is certainly correlated with democratization (the coding), but this electoral component may not always remain at the same level prior to democratization, it may continue to increase/decrease in some circumstance.

There is no true cut-point of the level of electoral component for democratization. But higher may always be better, it is the fertilizer for democratization to grow. In order to get a more robustness result to understand the effect electoral component of democracy on democratization, I also lag this variable for three years and for five years. The results in Table 7.3 show that electoral component<sub>-1</sub> and electoral component<sub>-3</sub> are significant, but electoral component<sub>-5</sub> is not significant. Figure 7.3 (c) also shows that the probability of democratization for electoral component<sub>-5</sub> remains low regardless the changes of electoral component of democracy. As we move

**Table 7.3:** Lagged Electoral Component of Democracy on Democratization

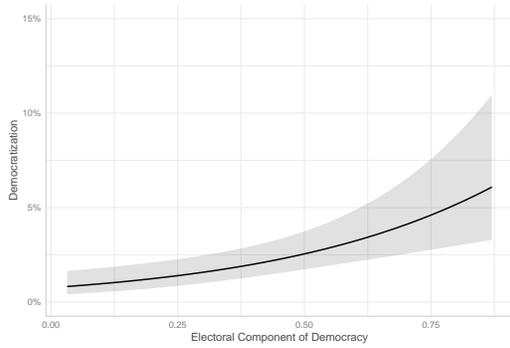
	<i>Dependent variable:</i>		
	Democratization		
	(1)	(2)	(3)
	Lagged <sub>-1</sub>	Lagged <sub>-3</sub>	Lagged <sub>-5</sub>
<b>Liberalization</b>			
Electoral <sub>-1</sub>	2.453*** (0.663)		
Electoral <sub>-3</sub>		1.382** (0.657)	
Electoral <sub>-5</sub>			0.827 (0.671)
GDP per capita <sub>-1</sub>	0.348 (0.303)	0.345 (0.301)	0.358 (0.300)
Gini index <sub>-1</sub>	1.241 (1.935)	1.329 (1.943)	1.158 (1.954)
GDP <sub>-1</sub> *Gini <sub>-1</sub>	-0.883 (0.784)	-0.861 (0.777)	-0.899 (0.776)
Economic Growth	0.624 (1.400)	0.553 (1.417)	0.534 (1.427)
Former Communist	-0.681 (0.458)	-0.744* (0.443)	-0.844* (0.446)
Islamic Culture	-1.073** (0.488)	-1.072** (0.468)	-1.114** (0.468)
OPEC	-0.972 (0.700)	-0.898 (0.671)	-0.881 (0.666)
Regional Dem.	0.779*** (0.261)	0.873*** (0.257)	0.941*** (0.259)
Military coup	0.178 (0.218)	0.150 (0.231)	0.194 (0.231)
Constant	-5.373*** (0.894)	-4.871*** (0.888)	-4.501*** (0.883)
Observations	3,468	3,270	3,069
Log Likelihood	-403.662	-394.003	-385.624
Akaike Inf. Crit.	831.324	812.006	795.247
Bayesian Inf. Crit.	905.140	885.116	867.596

*Note:*

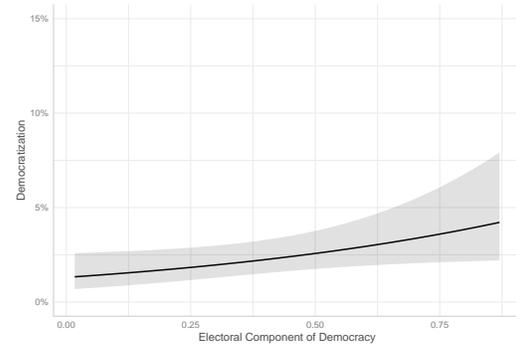
\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

from electoral component<sub>-5</sub> to electoral component<sub>-3</sub> (Figure 7.3 (b)) and electoral component<sub>-1</sub> (Figure 7.3 (a)), the probability of democratization increases when the level electoral component increases.

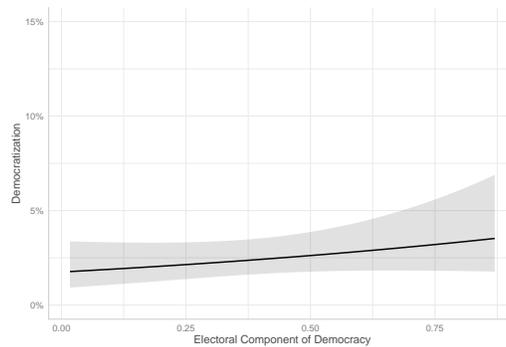
A possible explanation is that citizens were still learning from electoral component of democracy/semi-democratic institutions five years prior to democratization. Citizens have not yet developed pro-democracy attitudes and become less respectful toward the authority. As they continue to practice and accrue their knowledges and experiences about democratic institutions for a more longer period, the likelihood of democratization increases. This result also suggests that the electoral component of



(a) Electoral Component lagged for one year



(b) Electoral Component lagged for three years



(c) Electoral Component lagged for five years

**Figure 7.4:** Effects of Electoral Component on Democratization (1960-2010, with 90% CI)

democracy is not only the correlation with the binary coding of democratization. It may have a causal relationship with democratization, that citizens are learning from practicing with semi-democratic institutions. I also present similar models for the liberal component and participatory component of democracy in Table B.1 and Table B.2 in the Appendix. The results for the liberal component are similar with models of the electoral component of democracy, suggesting that citizens are also learning from it, which may become the force to help democratization. But the participatory component<sub>-5</sub> is still significant, suggesting that participation may be more important than other components of democracy.

## 7.4 SUMMARY

This chapter presents the relationship between different types of political liberalization and the binary coding of democratization. The results confirm the hypotheses that political liberalization is associated with democratization, and the electoral component, liberal component, and participatory components of democracy may contribute to higher likelihood of democratization.

Previous studies only focus on the effect of elections on democratization in autocratic regimes, some suggest negative and some suggest positive relationship with democratization (e.g. Lindberg, 2009). The findings in this chapter expands previous studies that elections in autocratic regimes may not be the only factor that promotes or harms democratization. Liberal component and participatory component of democracy may also increase with the help of electoral component of democracy. These two types of political liberalization may play important roles in helping citizens to learn about the benefits of democratic institutions. They may also mediate the effect of the electoral component on democratization.

This chapter also shows the evidence that citizens may learn from the use of democratic institutions and civil liberties before they look for democratization. Democratization is a long progressing movement, which involves the gradual increase of political liberalization. This movement gives citizens the opportunities to think about the alternative choice of political institutions.

## CHAPTER 8

### CONCLUSION

#### 8.1 MAIN FINDINGS OF THIS DISSERTATION

This dissertation demonstrates an important conditional relationship linking income inequality, economic development, political liberalization, and democratization. First of all, income inequality and economic development do not directly lead to democratization, both are associated with political liberalization. Second, I discuss the conditional effect of economic development on income inequality, where rich and equal, poor and unequal autocratic regimes are associated with higher political liberalization. Third, to be more specific, these two types of countries are associated with higher levels of electoral component, liberal component, and participatory component of democracy, which are important to democratization.

Therefore, this dissertation can conclude that democratization is a long process that citizens are learning from practicing with democratic institutions. It involves gradual changes of political liberalization due to income inequality and economic development.

This dissertation speaks to studies in comparative political institutions, political economy, and democratization. My prediction provides an alternative path to think about democratization, which is based on modernization theory and redistributive conflict theory. Modernization theory predicts rich countries may democratize, but my model and the empirical evidence shows that an equal society in a rich country is more likely to do so, while democratization becomes less likely for an unequal society

in a rich country. Redistributive conflict theory emphasizes the effect of income inequality on democratization, but I also consider the conditional effect of economic development. My model shows that a highly unequal country may democratize, but only if that country is poor. Citizens in unequal and rich countries, such as Singapore, have less incentive to ask for democracy. This prediction is different from Acemoglu and Robinson (2005), who argued that as an equally rich country, is less likely to democratize. When I use Gini coefficient as a standardize measurement of income inequality, Singapore can be classified as an unequal society.

Miller (2012) suggests that a good economy may build a hierarchical society and therefore may maintain the authoritarian rule. Solt (2012) also finds that economic inequality within countries shapes individuals' feelings toward authority, which are more likely to lead citizens to view hierarchical relations as natural and to hold greater deference toward authority. But my theory suggests that an equal society in rich country may be less hierarchical because citizens may not rely on the government to provide economic opportunities. Also, an unequal society in poor country may not develop a hierarchical society since the government may have less capacity to provide economic opportunities to poor citizens.

## 8.2 LIMITATIONS OF THIS RESEARCH

### 8.2.1 THE FIRST MOVE

This dissertation expands political economy approach to democratization by discussing the two-stage process of democratization, which involves the conditional effect of economic development on income inequality on political liberalization in the first stage, and the effect of political liberalizations on democratization in the second stage. But this study provides only a little information to tell the readers when a country start to increase levels of political liberalization in the first stage of democratization, and when country then become a democracy.

Many of the democratization theories identify the turning point of moving from autocracy to democracy. For example, in Acemoglu and Robinson (2005)'s foundational work, income inequality makes democratization more threatening to the elites, but how elites react to income inequality depends on the seriousness of the threat of revolution and the cost of repression. For the threat of revolution, income inequality may increase the threat of revolution. For the cost of repression, they claim that economic crisis decreases revolution's cost to the poor and increases the cost of repression to the rich. Therefore, democratization is likely to occur in moments of economic crisis with income inequality. Brückner and Ciccone (2011)'s research also supports the claim that economic crisis generates "windows of opportunity" for democratization in contemporary Sub-Saharan Africa.

Besides Acemoglu and Robinson (2005), Boix (2003) also suggests that capital mobility reduces elites fears of democracy, therefore, countries with high capital mobility increases the likelihood of democratization when income inequality is low. High capital mobility limits the ability to tax assets of either the ruler or the voters. With capital mobility, elites' assets will be relocated in countries that are offering lower taxes. That is, the costs of democracy decreases for elites, and elites are more likely to accept democratization because of the decreasing ability to tax and redistribute wealth from capital.

Both seminal works show the critical turning points in their democratization theories, which gives readers the information when does democratization start to take place. In my theory and empirical findings, I suggest that the interaction of income inequality and economic development is associated with political liberalizations, where rich and equal autocracy and poor and unequal autocracy have higher chances to increase political liberalizations. But when does an autocracy start to initiate or launch political reforms to increase political liberalizations? Was there a shock, either endogenous or exogenous, to trigger the increase of political liberalizations?

In my theory, there is a demand for political liberalization from citizens in rich and equal and poor and unequal countries. For those three types of political liberalizations, I identify the possible time point for the liberal component and the participatory component of democracy to increase. It may be after citizens gained the electoral component of democracy. However, when the electoral component democracy starts to increase is ambiguous. I assume that citizens are “aware” that becoming part of the decision making process may help them to fulfill their demands. The government also is aware that temporarily fulfilling the demands may help them to stay in power longer. Those awarenesses may require a long and constant interactions between citizens and the government. It is not easy to identify the “actual” time point or the “cut point” for an autocracy to accept the fact that they need to launch political reforms. My empirical evidences can only tell the readers that the high political liberalizations are associated with rich and equal country and poor and unequal country.

### 8.2.2 ARE CITIZENS REALLY LEARNING FROM POLITICAL LIBERALIZATIONS?

This learning experience in the semi-democratic regime is critical in my theory, but how do the readers know citizens in such autocratic regimes are really learning? Huntington (1991) proposes that the snowballing effect may help other countries to learn from other democracies, which makes other countries to believe in the desirability or necessity of democratization.

In my theory, I suggest that citizens are learning the advantages of democracy from living in semi-democratic regimes in the second stage of the process of democratization. This learning experience may help citizens to develop pro-democracy attitude and may make them to realize that they may not need to rely on the authoritarian regime to provide public goods. The empirical evidence shows that the levels of political liberalizations at least three years and five years prior to democratization have less effect on democratization. It “implies” that citizens were not ready yet

because they were still learning. High political liberalizations may be helpful, but citizens need more time to learn from practicing. But how many years citizens need for accumulating enough experiences in order to ask for democratization is still not clear in my theory and empirical findings.

I also thought about using the number of years of the experience to examine if longer experience is associated with democratization. This approach may encounter some problems. First, when is the start year of this learning process is not clear. The values of all three components of democracy come from V-Dem dataset, this project uses a Bayesian Item Response Theory model to generate latent estimates and to correct for potential biases. Since each year contains different information for specific countries, the value changes from year to year varies from very small to vary large. Does small value changes means the start year of the learning process? I will need more theoretical argument to make it more clear.

### 8.3 POLITICAL IMPLICATIONS AND FUTURE RESEARCH

#### 8.3.1 SOCIAL UNREST AND PROTESTS IN AUTOCRATIC REGIMES

The results suggest that citizens in rich and equal autocratic countries and poor and unequal autocratic countries may prefer democracy over autocracy after they learned from political liberalization. The changes of income inequality and economic development are important because both economic indicators do not just influence the demand for democracy, but also pressure the regime to make changes. In autocratic countries, if more and more citizens are aware that income inequality is increasing, they might further engage in protests, conflict or even revolution, which can potentially destabilize the autocratic regime or even can bring democratization.

Therefore, an extension of research from this dissertation might examine the relationship between income inequality and the engagement in protests in autocratic countries. In non-democratic countries, autocratic rule itself makes it difficult for

citizens to facilitate successful collective actions, and high income inequality continues to erode citizens' ability to protest (Solt, 2008). Since protest may be rare in non-democracies, we would expect to see fewer protests when income inequality is high. I could argue that this negative association is conditional on the levels of political liberalization. For an autocracy that has a high level of political liberalization, such as electoral authoritarianism, high income inequality is positively associated with protests. That is, facilitating collective action is still likely to occur in electoral authoritarianism, which may lead by opposition party leaders or other civil society organizations. For an autocracy that has a low level of political liberalization, high perceived income inequality is less likely to motivate people to participate in protests, which is what the conventional wisdom suggests.

### 8.3.2 INCOME INEQUALITY IN NEW DEMOCRACIES

Acemoglu and Robinson (2005) argue that democracy sends a more credible signal of the willingness to redistribute, and that citizens prefer democracy over autocracy when inequality is high. Therefore, we should expect to see lower income inequality in democracies. For policymakers in democratic countries, if income inequality can be the motivation to remove autocratic government and to be replaced by democratic government, then income inequality could also be an important factor in sustaining democratic institutions.

The 2020 Freedom House report shows that Hungary is no longer a democracy (Csaky, 2020). The Gini index for Hungary is still low, but it has increased steadily every year (Solt, 2019). Hence, another extended research is to discuss if a rising income inequality can jeopardize democratic institutions, especially for new democracies. We can also see if citizens show less support for democracy when income inequality increases, since one of the mechanisms for democracy is to lower income inequality.

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# APPENDIX A

## APPENDIX FOR CHAPTER 5

**Table A.1:** The List of the 125 Countries

African	Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde Central African Republic, Chad, Comoros, Democratic Republic of the Congo Republic of the Congo, Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Libya Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique Namibia, Niger, Nigeria, Rwanda, Sao Tome, Senegal, Seychelles, Sierra Leone, Somalia South Africa, Sudan, Eswatini, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe
Asia	Armenia, Azerbaijan, Bahrain, Bangladesh, Bhutan, Brunei, Cambodia, China Georgia, Indonesia, Iran, Jordan, Kazakhstan, N. Korea, S. Korea, Laos, Lebanon Malaysia, Maldives, Mongolia, Myanmar, Nepal, Oman, Pakistan, Philippines Singapore, Sri Lanka, Syria, Taiwan, Tajikistan, Thailand, Turkmenistan Uzbekistan, Vietnam, Yemen, Fiji
Europe	Albania, Argentina, Belarus, Bulgaria, Croatia, Cyprus, Greece, Hungary Poland Portugal, Romania, Russia, Spain, Turkey
America	Antigua, Bolivia, Brazil, Chile, Cuba, Dominican Republic, Ecuador, El Salvador Grenada, Guatemala Guyana, Haiti, Honduras, Mexico, Nicaragua Panama, Paraguay, Peru, Solomon Islands, Suriname, Uruguay, Venezuela

**Table A.2:** Numbers of Democratic Transition

Democratic Transition	Albania(3), Antigua(1), Argentina(3), Armenia(1), Bangladesh(3), Benin(1) Bhutan(1), Bolivia(2) Brazil(1), Bulgaria(1), Burundi(2), Cape Verde(1) Central Africa Republic(1), Chile(1), Comoros(2), Republic of Congo(1), Croatia(1) Cyprus(1), Dominican Republic(1), Ecuador(2), El Salvador(1), Fiji(1), Gambia(1) Georgia(1), Ghana(4), Greece(1), Grenada(1), Guatemala(2), Guinea-Biss(3) Guyana(1), Honduras(3), Hungary(1), Indonesia(1), kazakhstan(1), Kenya(1) South Korea(2), Latvia(1), Lebanon(1), Lesotho(1), Liberia(1), Lithuania(1) Madagascar(1), Malawi(1), Maldives(1), Mali(1), Mauritania(1), Mexico(1) Mongolia(1), Mozambique(1), Myanmar(1), Nepal(2), Nicaragua(1), Niger(2) Nigeria(2), Pakistan(2), Panama(1), Paraguay(2), Peru(3), Phillipines(1) Poland(1), Portugal(1), Romania(1), Sao Tome(1), Sengal(1), Sierra Leone(3) Solomon Is.(1), South Africa(1), Spain(1), Sri Lanka(1), Sudan(3), Suriname(2) Taiwan(1), Thailand(4), Turkey(2), Uganda(1), Uruguay(1), Zambia(1)
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## APPENDIX B

### APPENDIX FOR CHAPTER 7, PART I

#### B.1 TABLES FOR LAGGED LIBERAL AND LAGGED PARTICIPATORY COMPONENT OF DEMOCRACY

**Table B.1:** Lagged Liberal Component of Democracy on Democratization

	<i>Dependent variable:</i>		
	Democratization		
	(1)	(2)	(3)
<b>Liberalization</b>			
Liberal <sub>-1</sub>	2.728*** (0.692)		
Liberal <sub>-3</sub>		0.975 (0.666)	
Liberal <sub>-5</sub>			0.364 (0.681)
GDP per capita <sub>-1</sub>	0.365 (0.324)	0.340 (0.309)	0.376 (0.295)
Gini index <sub>-1</sub>	1.596 (1.952)	1.584 (1.922)	1.470 (1.918)
GDP <sub>-1</sub> *Gini <sub>-1</sub>	-0.941 (0.839)	-0.841 (0.796)	-0.936 (0.767)
Economic Growth	0.775 (1.412)	0.779 (1.413)	0.716 (1.416)
Former Communist	-0.610 (0.475)	-0.745* (0.443)	-0.861* (0.444)
Islamic Culture	-1.132** (0.493)	-1.070** (0.461)	-1.090** (0.462)
OPEC	-0.786 (0.714)	-0.834 (0.665)	-0.887 (0.665)
Regional Dem.	0.888*** (0.264)	0.923*** (0.252)	0.962*** (0.254)
Military coup	0.203 (0.218)	0.169 (0.229)	0.190 (0.232)
Constant	-5.473*** (0.898)	-4.735*** (0.874)	-4.408*** (0.863)
Observations	3,454	3,256	3,055
Log Likelihood	-406.096	-398.862	-389.970
Akaike Inf. Crit.	836.193	821.725	803.939
Bayesian Inf. Crit.	909.960	894.784	876.234

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table B.2:** Lagged Participatory Component of Democracy on Democratization

	<i>Dependent variable:</i>		
	Democratization		
	(1)	(2)	(3)
Participatory $_{-1}$	4.929*** (0.877)		
Participatory $_{-3}$		3.251*** (0.841)	
Participatory $_{-5}$			2.731*** (0.857)
GDP per capita $_{-1}$	0.388 (0.284)	0.402 (0.277)	0.360 (0.287)
Gini $_{-1}$	0.326 (1.945)	0.751 (1.939)	0.448 (1.960)
GDP $_{-1}$ *Gini $_{-1}$	-0.952 (0.749)	-0.991 (0.726)	-0.895 (0.749)
Economic Growth	0.798 (1.443)	0.639 (1.434)	0.691 (1.432)
Former Communist	-0.496 (0.448)	-0.643 (0.432)	-0.735* (0.434)
Islamic culture	-1.172** (0.484)	-1.137** (0.463)	-1.146** (0.462)
OPEC	-1.287* (0.698)	-1.121* (0.670)	-1.068 (0.667)
Regional Dem.	0.645** (0.258)	0.747*** (0.253)	0.827*** (0.256)
Military coup	0.214 (0.213)	0.156 (0.228)	0.191 (0.229)
Constant	-5.385*** (0.878)	-4.927*** (0.855)	-4.582*** (0.850)
Observations	3,487	3,289	3,088
Log Likelihood	-396.917	-392.483	-385.462
Akaike Inf. Crit.	817.835	808.967	794.925
Bayesian Inf. Crit.	891.716	882.147	867.348

*Note:*

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

## APPENDIX C

### APPENDIX FOR CHAPTER 7, PART II

#### C.1 POLITY IV SCORE AS THE DEPENDENT VARIABLE

Some scholars, such as Haggard and Kaufman (2016*a*) and Freeman and Quinn (2012), use Polity IV scores as the dependent variable to measure democratization. Therefore, I also use Polity IV to measure it as the robustness check. The result for Model 2 shows that the interaction between GDP per capita and the Gini index is significant and negatively associated with Polity Scores. This result suggests that rich and unequal countries are more likely to have a lower Polity Score, which is similar to the main results of this dissertation.

#### C.2 RARE EVENT MODELS

In addition to use Polity IV scores as the dependent variable, I also use rare event model to estimate the effect on the interaction when the dependent variable is binary coding of democratization. As mentioned, the number of democratic transition is 108 since 1960, which is 2.6% in the dataset. The results for Model 2 in Table B.2 shows that the interaction between economic development and income inequality is very closed to the significance at  $p < 0.1$ . Also, the direction is negative, which is the same as the previous models.

**Table C.1:** Polity IV as the Dependent Variable

	<i>Dependent variable:</i>	
	PolityIV Score	
	(1)	(2)
Electoral Component	13.229*** (0.588)	12.911*** (0.617)
Liberal Component	5.850*** (0.663)	6.317*** (0.694)
Participatory Component	6.024*** (0.718)	6.183*** (0.751)
GDP per capita	0.210 (0.142)	0.220 (0.142)
Gini Index	2.778*** (0.871)	2.375*** (0.901)
GDP*Gini	-0.563 (0.343)	-0.579* (0.344)
Economic Growth		-0.528 (0.561)
Former Soviet		0.346 (0.642)
Islamic Culture		-0.412 (0.684)
OPEC countries		-0.037 (0.773)
Democracy Neighbors		0.273 (0.194)
Military Coup		0.125 (0.121)
Constant	-14.095*** (0.441)	-14.090*** (0.501)
Observations	3,700	3,486
Log Likelihood	-9,026.639	-8,489.296
Akaike Inf. Crit.	18,071.280	17,008.590

*Note:*

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

**Table C.2:** Rare Even Models

	<i>Dependent variable:</i>	
	Democratization (0/1)	
	(1)	(2)
Electoral Component	0.43 (0.81)	-0.115 (0.891)
Liberal Component	0.27(0.77)	0.549 (0.855)
Participatory Component	4.42*** (0.83)	4.032*** (0.862)
GDP per capita	0.345 (0.252)	0.422 (0.267)
Gini Index	0.663 (1.69)	-0.020 (1.818)
GDP*Gini	-0.897 (0.662)	-1.017 (0.708)
Economic Growth		0.714 (1.410)
Former Soviet		-0.462 (0.395)
Islamic Culture		-0.923 (0.408)
OPEC countries		-0.892 (0.614)
Democracy Neighbors		0.640 (0.228)
Military Coup		0.386(0.201)
Observations	3,688	3,486

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01