

**Beyond Modernization Theory:
Democracy and Development
in Latin America**

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Preface

Before beginning, some thanks are in order. For the inspiration and ideas prompting this thesis, I am indebted to Alex Zakaras's seminar on democracy at the University of Vermont, and John Chalcraft and Francisco Panizza's course on democratization at the London School of Economics. In addition, I am grateful for Uli Theuerkauf's support at the LSE, particularly her help editing some of the papers that make up the literature review. As for the actual thesis, Travis Nelson was an excellent advisor, and thanks are due to Caroline Beer and Benjamin Eastman, who graciously agreed to serve on my thesis committee. For research help, special thanks are due to the Middlebury College and Dartmouth libraries, without which my research would not have been possible. Finally, last but not least, I am thankful for the support of my family, and especially my mom, who took the time to read and edit my paper. Thank you to everyone else who put up with me during this process, and while I am indebted to those who helped, all errors are mine.

Chapter 1: Introduction

Democratization, the study of how democracies emerge and endure, is one of the most unsettled topics in political science. Scholars are often unable to agree on basic terminology and governments are constantly evolving, making empirical analysis difficult. Far from being a deterrent, however, the unsettled state of the field is one of its main draws; it provides an opportunity to conduct research that is not only academically interesting, but also politically relevant.

In this thesis, I am going to tackle one part of the democratization debate: the relationship between democracy and development. Until recently, scholars in the field have assumed democracy is the preferable form of government, regardless of development levels. Contemporary works such as Fareed Zakaria's *The Future of Freedom* (2008) have challenged this assumption, questioning whether democracy is even a desirable goal for developing countries.¹ This thesis will engage these viewpoints and examine how varying levels of democratic quality influence development in contemporary Latin America. In doing so, it will also address larger questions in democratization studies, including whether it is possible to have a science of comparative politics.

Within this broad field, my research occupies a unique niche; it uses quantitative and qualitative methods to analyze the relationship between democratic quality (measured by nine unique indicators) and development (measured by per capita GDP adjusted for purchasing power parity) in South America from 1995-2006. From this analysis, I conclude that while there are some causal connections between democracy and development, changing levels of democratic quality do not determine economic growth. On a regional level, there is no apparent connection, while in the case studies there are quantitative correlations and some qualitative causal links, but no overarching explanations. In addition to these conclusions, my essay is as much about the process as the results;

¹ Fareed Zakaria, *Future of Freedom: Illiberal Democracy at Home and Abroad* (New York: W.W. Norton, 2003).

its nominal aim is examining the relationship between democracy and development, but it also has valuable insights on everything from defining democracy to the feasibility of quantifying qualitative realities.

Structurally, this paper is broken down into six chapters, each building off the previous one. To begin, I critically examine previous research on the relationship between democracy and development, explaining where my own research fits. The second chapter provides the theoretical grounding for my research, with a specific emphasis on defining democracy and development, as well as a justification for my narrow chronological and regional focus. The third chapter explains my methodology, a mixed quantitative and qualitative approach using the descriptive statistics of my quantitative analysis to determine the precise focus of my qualitative case studies. The goal here is to explain how my statistical measurements correspond to my theoretical conception of democracy. In the fourth chapter, I take this data and examine how quantitative trends relate to each other on a regional basis. Following this, the fifth chapter contains case studies of Chile, Peru, and Venezuela. These start with brief overviews of the countries' political histories, with a specific focus on 1990-2006, move on to country-level statistical analysis, and then seek a causal relationship between these political histories and the conclusions derived from my quantitative analysis.

Previous Work

As one might expect, there is an enormous amount of literature covering the relationship between democracy and development. This section examines some of the dominant approaches and seminal works.

Modernization Theory

Primary among approaches concerning the relationship between democracy and development is modernization theory. Emerging out of mid-century sociological studies on ‘modernization,’ a process of economic development and social change, modernization theory examines how modernization processes, and economic growth in particular, relate to democratization and democratic consolidation. The most notable authors in this approach are Seymour Martin Lipset and Samuel P. Huntington, both of whom use quantitative data to argue that modernization has a profound and positive effect on democracy.

Of these, Samuel Huntington is the most controversial, and justifiably so. Taking an optimistic view of what he calls the ‘Grand Process of Modernization,’ Huntington understands modernization as a complex, systemic, global, lengthy, phased, homogenizing, irreversible, and progressive process that transforms a society from traditional to modern.² As for its relation to democracy, he concludes that democratization is an inevitable part of modernization, resulting from the rationalization/secularization of authority, creation of specialized bureaucratic structures, and eventual participation of citizens in politics.³ He argues democratization emerges from social mobilization and economic development, the driving forces of modernization. In Huntington’s words, “Social mobilization involves changes in the aspirations of individuals, groups and societies; economic development involves changes in their capabilities. Modernization requires both.”⁴

Superficially, Huntington’s theory of democratization is incredibly appealing and makes sense from a Western point of view. In European and English-speaking countries, democracies emerged as part of this process, exactly as the theory predicts. However, the theory is ultimately

² Samuel P. Huntington, “Modernization Development and Politics,” in *From Modernization to Globalization*, eds. T. Roberts and A. Hite (London: Blackwell Publishing, Ltd., 1971), 146-147.

³ Samuel P. Huntington, “Political Order in Changing Societies,” in *From Modernization to Globalization*, eds. T. Roberts and A. Hite (London: Blackwell Publishing, Ltd., 1986), 152.

⁴ Huntington, “Political Order,” 151.

untenable due to a preponderance of outliers—there are countries that contradict his assumptions on both ends of the spectrum. For example, India has been a democracy since its inception, but during its modernization process, has democratically regressed. As Fareed Zakaria points out, India has actually become “less tolerant, less secular, less law-abiding, less liberal,” despite its rapid modernization.⁵ On the other end of the spectrum, Middle Eastern countries have challenged his entire conception of modernization; although oil wealth has allowed many of these states to undergo rapid economic growth, social mobilization has yet to materialize. Huntington might respond that once India finishes modernizing, it will reestablish democracy, or that Middle Eastern countries are a special case because of oil, but the large amount of outliers raises questions that these rationalizations cannot satisfactorily answer.

Another problem is Huntington’s view of history as a linear process. By considering democracy as the end-product of modernization, he discounts the increasing trend towards hybrid regimes as stable and long-lived forms of government that might be unique to a certain region.⁶ A good example of this is the phenomenon of ‘delegative democracy’ detailed by Guillermo O’Donnell, in which Latin American countries have elections, but none of the checks and balances normally associated with modern democracy.⁷ Furthermore, he misses the possibility of alternate paths of development, such as an Islamic state. As Tamara Sonn writes in *Modernization, Democracy, and Islam*, “It appears that Islamic countries are developing their own models of modernity, ones that value the role of reason and are pluralist, but also religious.”⁸ In the same volume, John Voll explores the consequences of Islam’s ‘new modernity’ for democracy, arguing that modernization as posited by Huntington actually creates a barrier to democratization in the Middle East. By artificially

⁵ Zakaria, *Future of Freedom*, 108.

⁶ Larry Diamond, “Elections Without Democracy: Thinking About Hybrid Regimes,” *Journal of Democracy* 13.2 (2002): 23.

⁷ Guillermo O’Donnell, “Horizontal Accountability in New Democracies,” *Journal of Democracy* 9.3 (1998): 112-126.

⁸ Tamara Sonn, “Islam and Modernity: Are They Compatible?” in *Modernization and Islam*, eds. Shireen T. Hunter and Huma Malik (Westport: Praeger, 2005), 80.

imposing the idea that democracy has to be secular, scholars might actually ferment opposition to democracy. Thus, Huntington's belief in the necessity of secularism for democracy is misguided, and in practice, many of the secular regimes in the Muslim world have actually been the most dictatorial, as seen with Saddam Hussein's rule in Iraq.⁹

In contrast to Huntington's bold claims, Seymour Martin Lipset puts forth a nuanced exploration of the relationship between democracy and development in his essay "Some Social Requisites of Democracy," arguing that economic development is a prerequisite for maintaining a functional democracy. Basing his argument on the high statistical correlation between economic indicators and successful democracies, Lipset has a multi-tiered causal explanation for why modernization is necessary to sustain democracy. First, he argues that development helps lower classes gain wealth and education, resulting in moderated political views. In other words, because development gives the lower classes something to lose, they are unlikely to resort to extremism that might challenge their improved standing. Moreover, a richer lower class makes the upper classes less wary of democracy, because they no longer view the lower classes as 'subhuman.' Second, he says that modernization enlarges the middle class to such a degree that it dwarfs the upper and lower classes. The result is that the middle class can moderate both extremes and effectively hold power. Third, greater income lowers the stakes of the election, because in rich countries, governments have little control over the livelihoods of groups, can redistribute wealth without huge opposition, and there is less corruption and nepotism. Finally, greater wealth creates intermediary institutions that can function independently from the state, preventing a monopoly of power for any one party.¹⁰

Along the same line of thought, having more voluntary associations independent of the government

⁹ John O. Voll, "Islam and Democracy: Is Modernization a Barrier?" in *Modernization and Islam*, eds. Shireen T. Hunter and Huma Malik (Westport: Praeger, 2005), 94-95.

¹⁰ Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy" *American Political Science Review* 53 (1959): 83-84.

encourages civil society, which as Robert Putnam explains in his research, builds the social capital that makes democracy work.¹¹

Scholars such as Adam Przeworski and Adrian Leftwich have concurred, seconding the indisputable correlation between a country's wealth and its ability to sustain democracy, but this in and of itself does not mean Lipset's causal explanations are correct. As Dankwart Rustow points out in his article, "Transitions to Democracy," Lipset often "slips from the language of correlation into causality,"¹² and seems to assume that correlations ensure a causal connection leading from modernization to democracy. This is misguided because correlations have no causal direction and there are overwhelming amounts of outliers for each of Lipset's proposed causal mechanisms. For example, he argues that increased wealth leads to a larger middle class, which in turn exercises a moderating effect on the upper and lower classes. Although this is an interesting idea, Lipset does not supply any data to directly support this argument, and historically, middle classes have been more indeterminate than Lipset suggests. For instance, in East Asia, middle classes in South Korea and Taiwan have actually been opposed to democracy, instead favoring a "stable society."¹³ A similar trend exists in Malaysia, where the middle class is composed of indigenous Malays who, due to their privileged status in education and other sectors, have an interest in maintaining an authoritarian status quo.¹⁴ In Latin America, the same phenomenon exists, seen in broad Venezuelan middle class support for the attempted coup against Chavez in 2002 and ambivalence about the Pinochet dictatorship in Chile.

A similar example of how his causal mechanisms fail to correspond to historical reality is his discussion of intermediary institutions. While his contention that intermediary institutions support

¹¹ Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993).

¹² Dankwart Rustow, "Transitions to Democracy: toward a dynamic model" *Comparative Politics* 2 (1970): 342.

¹³ David Martin Jones, "Democratization, Civil Society, and Illiberal Middle Class Values in Pacific Asia," *Comparative Politics* 30, No. 2 (Jan. 1998): 153.

¹⁴ Jones, 154-155.

democracy is generally an accepted premise, he fails to describe the exact mechanism by which wealth creates these institutions. The example of the Soviet Union is telling in this respect, although it was a relatively wealthy state, there existed few institutions or organizations outside the state. Likewise, there are other counterexamples to refute other proposed causal connections, like the highly educated but undemocratic status of Cuba, and the constant democratic backsliding of Russia (despite, or possibly because of, its booming economy). This suggests that while his theory might hold in some situations, it is dated in the context of current attempts at democratization.

Surprisingly, Lipset would probably agree with much of this analysis. As he says in his own research, “this conclusion does not justify the optimistic liberal’s hope that an increase in wealth, in the size of the middle class, in education, and other related factors will necessarily mean the spread of democracy or the stabilizing of democracy.”¹⁵ Often overlooked in the discussion of Lipset’s contribution to modernization theory is the second half of “Some Social Requisites of Democracy,” in which he stresses the unique historical characteristics of Western development and the importance of societal factors in developing democracy. According to Lipset, more important than economic development for democratization is the creation of cross-cutting cleavages in a society and other cultural characteristics, which are not necessarily affected by any totalizing modernization process (as Huntington insinuates). This does not mean certain societies are incompatible with democracy, only that different versions of democracy and varying developmental routes exist.

From this preceding discussion, two conclusions emerge. First, although it remains ambiguous whether development has any ability to bring about democracy, it does seem clear that higher levels of wealth help sustain existing democracies. Second, democratization and modernization are not linear processes and have no designated end-point. However, while these are important conclusions, they say little about the value of democracy in promoting development.

¹⁵ Lipset, *Some Social Requisites*, 103.

Przeworski's Reformulation of Modernization Theory

More pertinent in this respect is Przeworski, et al.'s *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990*. In the book, Przeworski et al. aim to: (1) empirically analyze Lipset's causal relationship by isolating the effect of economic development on democratization; (2) determine whether regime type influences GDP growth or any other measure of development; and (3) look at the relationship between past, current, and expected instability on economic growth. For methodology, they measure development using per capita income, per-capita consumption, productivity, investment, and the growth of employment. To measure democracy, they employ a binary procedural definition categorizing regimes as either a democracy or dictatorship, depending on whether there are contested elections and the winner actually controls the government. Then, using data that corresponds to these theoretical constructs, they perform detailed statistical analysis for 1950-1990.

Through this analysis, Przeworski et al. reach some iconoclastic conclusions. First, they argue that modernization (as measured by wealth) has little influence on whether a government becomes a democracy, since there is no level of income at which a transition is bound to occur.¹⁶ Nevertheless, they agree with Lipset that increased wealth results in an increased likelihood of sustaining democracy, independent of education levels or democratic history.¹⁷ Democracies can still thrive in undeveloped countries, but their fate is intertwined with economics—a higher growth rate equals a higher chance for democratic survival, while conversely, economic crises are closely associated with the demise of democratic regimes.¹⁸ In addition to these conclusions, Przeworski et

¹⁶ Przeworski, *Democracy and Development*, 97.

¹⁷ Przeworski, *Democracy and Development*, 101.

¹⁸ Przeworski, *Democracy and Development*, 115-116.

al. confirm Juan Linz's contention about the perils of presidentialism, agreeing that presidential regimes are more likely to revert to authoritarianism than parliamentary ones.¹⁹

While these findings are enlightening, Przeworski et al.'s discussion of how regime type influences economic growth is less so. After a thorough analysis, they conclude there is little difference in economic growth under either regime type. Even accounting for different levels of initial income, regime type makes little difference. They write, "In poor countries, regimes simply do not matter. In wealthier countries, their average growth rates are the same, but the patterns of growth are different."²⁰ In other words, regime type is entirely irrelevant in determining levels of economic growth. However, they do come to one interesting conclusion: political instability only affects economic performance in a dictatorship.²¹

Admittedly, Przeworski et al.'s book is a formidable piece of scholarship. It has deservedly received countless accolades because of its thorough and coherent statistical analysis touching on countless questions at the heart of political science. Nevertheless, some serious questions remain about the scholars' methodology and conclusions. To begin, their definition of democracy simplifies the concept to the point of meaninglessness. It creates an arbitrary theoretical distinction that serves as the crux for all of their quantitative research, raising the question of whether their conclusions would remain the same if they used a different definition. Another shortcoming is their timeline, which ends abruptly with the collapse of the Soviet Union. It would be interesting to see how the inclusion of the former Soviet Republics during the 1990s might alter their conclusions. For example, Russia's per capita income made it a wealthy country according to Przeworski et al.'s definition, but its recent reversion to a non-democratic regime contradicts their findings. This is just

¹⁹ Przeworski, *Democracy and Development*, 136 and Juan Linz "The Perils of Presidentialism," *Journal of Democracy* 97 No. 50 (Winter 1990).

²⁰ Przeworski, *Democracy and Development*, 179.

²¹ Przeworski, *Democracy and Development*, 211.

one example, but the proliferation of modern democracies since the book's release raises difficult questions about whether the research is applicable to contemporary democracies.

Leftwich and the Good Governance Argument

Adrian Leftwich asks the same questions as Przeworski et al., but comes to very different conclusions. He agrees that development supports democracy, but posits that democracy can inhibit development.²² He argues that successful democratic governance requires the following: (1) geographic, constitutional, and political legitimacy; (2) consensus about the rules of the game; (3) government restraint on the part of the winning party; (4) rich and pluralistic civil society; (5) a state monopoly of violence; (6) minimal reinforcing cleavages; and (7) no economic crises.²³ Yet, economic growth often requires radical change (such as land reform), which may imperil democratic consolidation by bringing about tremendous economic dislocation and short-term crises.

Consequently, Leftwich brings forward the case that better politics, but not necessarily democracy, is the key in pushing economic growth. He argues that politics needs to give rise to a state that can protect an independent capacity for governance, but that democracy is often incapable of doing so. Instead, what is required is a developmental state whose political and economic elites genuinely desire development and are willing to implement market-friendly reforms. In order to implement these reforms, it is necessary to simultaneously have less government, better government, and stronger government. Thus, as he controversially argues, "if eliminating the continuing offence of poverty and misery is the real target, then unlimited liberal democracy and unrestrained economic liberty may be the last thing the developing world needs."²⁴

²² Leftwich, "Governance, Democracy, and Development in the Third World," *Third World Quarterly* 14, No. 3 (1993): 605-625.

²³ Leftwich, "Governance," 615-616.

²⁴ Leftwich, "Governance," 621.

While somewhat persuasive, especially in light of China's continued economic rise, as with the other modernization theorists, Leftwich's argument is dated. Writing in 1993, Leftwich was looking at a world filled with unstable democracies. Yet, sixteen years later, the situation is far less precarious than he predicted. Leftwich thought that regimes throughout Latin America were about to revert to authoritarianism, but in fact, the opposite has happened; there seems to be little immediate fear of democratic backsliding in most countries as democracy has instead become further consolidated. Likewise, many emerging democracies have been surprisingly successful in pushing developmental policies. Even India, though still largely impoverished, has a burgeoning middle class and exceptional growth rates. Thus, while important for its iconoclastic approach, the good governance argument against democracy seems dated in the context of contemporary democratization.

Alternative Approaches

In addition to the work of Lipset, Huntington, Przeworski, and Leftwich, there are a handful of other studies worth mentioning before discussing my approach. This section briefly summarizes these arguments.

The first strain of research consists of scholars arguing that democracy promotes economic development because it leads to stability (with some scholars focusing this argument on property rights). A good example of this is an article by Yi Feng entitled, "Democracy, Political Stability and Economic Growth," which uses statistical analysis to prove that democracy does not have a direct effect on economic growth, but contributes indirectly by minimizing irregular regime change. He goes so far as to argue that democracy provides, "the ultimate basis for sustainable economic growth and expansion."²⁵ Mancur Olson and David Leblang put forth their own alternate versions of this

²⁵ Yi Feng, "Democracy, Political Stability, Economic Growth," *British Journal of Political Science* 27, No. 3 (July 1997): 414.

argument. In Olson's article, "Dictatorship, Democracy, and Development," he argues that dictatorships rarely encourage growth for more than a generation, while lasting democracies establish the property and contract rights needed for economic growth. He argues that it may seem logical that an autocrat would want to promote stability and economic growth in order to secure longevity, but dictators have an equally logical incentive to seize assets whose tax yield is less than the total value of their rule.²⁶ In other words, there are often situations in which dictators have more to gain by unlawfully seizing assets than benefiting from their tax yield. Leblang takes a more empirical approach, but reaches the same conclusion. With the aid of statistical analysis, he argues: (1) property rights lead to economic growth, and (2) political regimes indirectly influence growth through their effect on property rights.²⁷

The studies of Leblang and Olson are important because they isolate a specific consequence of democracy (property rights) as key for economic growth, but their theorized relationship between democracy and property rights is tenuous; they make a convincing case that stability promotes economic growth, but fail to empirically or theoretically prove that democracies are inherently more stable than autocracies. Latin America serves as a perfect illustration of this link's weakness, especially in light of recent unrest in Bolivia and Venezuela, where democracy has brought instability and gross violations of property rights, both of which are factors that Leblang and Olson consider detrimental for economic growth.

Some scholars reject these arguments, arguing that there is no real causal relationship between the two. For example, in "Democracy and Economic Growth: A Causal Analysis," Uk Heo and Alexander C. Tan argue that the existing data is ambiguous. Despite an exhaustive statistical analysis examining both the immediate and delayed relationship between development and

²⁶ Mancur Olson, "Dictatorship, Democracy and Development," *The American Political Science Review* 87, No. 3 (September 1993): 567.

²⁷ David Leblang, "Property Rights, Democracy, Economic Growth," *Political Research Quarterly* 49, No. 1 (March 1996): 5.

democracy, they find that “it is as likely that economic growth causes democracy as that democracy causes economic growth.”²⁸ They go on to suggest that other factors may play a larger role, such as the influence of US economic policies (as driven by Cold War politics) and other strictly economic issues.²⁹

In addition to these authors, there are a plethora of seminal works discussing the relationship between democracy and development. Examples worth noting include Barrington Moore’s *The Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*,³⁰ Göran Therborn’s “The Rule of Capital and the Rise of Democracy,”³¹ and Rueschemeyer et al.’s *Capitalist Development and Democracy*.³² All of these works use a class-based lens to look at the relationship between development and democracy, but as with much of the democratization literature, focus on the effect of development on democracy, not vice versa.

²⁸ Heo and Tan, “Democracy and Economic Growth: A Causal Analysis,” *Comparative Politics* 33, No. 4 (July 2001), 469.

²⁹ Heo and Tan, “Democracy and Economic Growth,” 469-471.

³⁰ Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1964).

³¹ Göran Therborn, “The Rule of Capital and the Rise of Democracy,” *New Left Review* 103, No. 3 (1977).

³² Dietrich Rueschemeyer, Evelyne Stephens and John Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).

Chapter 2: A New Approach

Despite differences between these previous examinations of the causal relationship between democracy and development, there exist commonalities. Generally, they all look at democratization over a large range of years and on a global scale, with most taking a narrow procedural view of democracy. These similarities lead to the following shortcomings: (1) a simplistic understanding of democracy; (2) a global focus that ignores regional differentiation; and (3) an extended and outdated timeline that includes distorting events and neglects modern realities.

My thesis uses a unique approach that attempts to sidestep these problems. First, it uses a tripartite definition of democracy and measures quality on a sliding scale along three axes, each measured by unique indicators. Second, it focuses on South America, a region uniquely positioned to serve as a laboratory for studying democratization. Third, it uses a contemporary timeline to address current problems facing developing countries, and a narrow one to see if changing levels of democratic quality have any immediate effect on development. This chapter provides a theoretical justification for this approach.

The Struggle to Define Democracy

What is democracy? This seemingly simple question is at the root of an intractable conflict that makes democratization one of the most perplexing and frustrating topics in political science. On a superficial level, the debate is between advocates of procedural and substantive definitions. Proponents of procedural definitions argue that democracy should be measured by whether

elections are competitive,³³ while supporters of substantive definitions argue that elections and basic civil rights are insufficient; in an economically unequal society lacking substantial civil liberties, it is impossible for elections to be truly competitive. Within these basic camps, there are further disagreements about the relative importance of different elements, as well as conflicts about how these definitions translate into measurements of democratic quality. For example, even if two scholars agree on a procedural definition of democracy, they may not agree whether democratic quality should be evaluated on a sliding scale, or whether democracies should be lumped into the binary categories of ‘free’ and ‘not free’. When combined with questions about democratic consolidation and the possibility of alternate forms of democracy, this leads to a theoretical morass.

Unfortunately, this is not just a theoretical problem. Definitional debates and disagreements about how to measure democratic quality have tremendous consequences for the results of studies, leading to widely varying conclusions.³⁴ A good example of this is Göran Therborn’s article “The Rule of Capital and the Rise of Democracy.” Therborn’s article uses a strict definition of participation, resulting in a dataset in which the United States is not considered a democracy until after the civil rights struggles of the sixties!³⁵ Since he defines democracy in such a strict way, Therborn ends up with a unique dataset that coincidentally supports his class-based explanation of democratization. This is admittedly an extreme example, but distortions of this sort occur to varying degrees throughout the literature. In her article “Dilemmas of Democratization in Latin America,” Terry Lynn Karl gives a good explanation of how differing definitions specifically affect studies of

³³ This view has a long history, and arguments in favor generally cite: Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1950). A more recent defense of this procedural approach can be found in: Adam Przeworski, “Minimalist conception of democracy: a defense,” found in *Democracy’s Value* eds. Ian Shapiro and Casiano Hacker-Cordón (Cambridge: Cambridge University Press, 1999).

³⁴ David Collier and Steven Levitsky, “Democracy with Adjectives: Conceptual Innovation in Comparative Research,” *World Politics* 49, No. 3 (1997): 431.

³⁵ Therborn, “Rule of Capital,” 11.

Latin America.³⁶ She argues that substantive definitions actually prevent scholars from “investigating empirically the hypothetical relationship between competitive political forms and progressive economic outcomes because this important issue is assumed away by the very definition of regime type.”³⁷ With unintentional humor, she argues that these definitions become so demanding that they theoretically eradicate democracy in Latin America, leaving scholars with no regimes to study!

This definitional problem is compounded by a tendency to sort democracies into facile categories that ignore differing levels of quality within these categories. For example, Przeworski et al.’s *Democracy and Development* separates regimes into democracies and dictatorships, and breaks down democracies only according to their form (parliamentary or presidential).³⁸ This is the result of the authors’ deliberate refusal to take into account levels of representation, accountability, or civil liberties. As a result, democracy becomes a neat concept that either exists or does not, a view that makes quantitative analysis easier, but ignores both citizen perceptions of what constitutes a democracy and the complexity/diversity of existing democracies. Furthermore, it makes statistical analysis unreliable. As Zachary Elkins argues in “Gradations of Democracy? Empirical Tests of Alternative Conceptions,” graded measurements are more valid and reliable than the dichotomous divisions that characterize many existing studies.³⁹ The same shortcomings exist in studies using substantive definitions; authors such as Therborn use more substantive definitions than Przeworski et al., but still divide countries into categories of democratic and undemocratic. The complexity inherent in a substantive definition makes this particularly difficult to justify.

Even when scholars move beyond a binary definition, there is still the problem of measuring democracy on a single axis. An example of this is the continued ability of Hugo Chavez to abuse the

³⁶ Terry Lynn Karl, “Dilemmas of Democratization in Latin America,” *Comparative Politics* 23, No. 1 (October 1990): 1-21.

³⁷ Karl “Dilemmas of Democratization,” 2.

³⁸ Przeworski, *Democracy and Development*, 30

³⁹ Zachary Elkins, “Gradations of Democracy? Empirical Tests of Alternative Conceptualizations” *The American Journal of Political Science* 44, No. 2 (April 2000): 293.

constitution while maintaining high levels of popular support—he is a popular and democratically supported leader who disregards the rule of law and civil liberties, but fulfils the wishes of the majority. These changes reflect a rebalancing of elements within a democracy, not any linear movement along a single axis of democraticness, and thus, cannot be captured by a single graduated measure.

Another dangerous side effect of this tendency to rate democracies on a single sliding scale is the implicit judgment made about governmental form. A good illustration of this is David Collier and Steven Levitsky's article "Democracy with Adjectives" (1997). In the article, Collier and Levitsky discuss the need to come up with a workable definition of democracy and propose a solution. They argue to sidestep definitional tussles scholars should create "diminished subtypes." By this, the authors mean that democracy should be the most substantive definition, and scholars should include other variations ranked in order of how many substantive attributes they are missing, creating a "ladder of generality" in which more countries are included the further one broadens the definition.⁴⁰ In doing so, Collier and Levitsky implicitly assume democracy (substantively defined) is the best form of government, since forms of government that do not adhere to this definition of democracy are presumably deficient, thus setting up a discourse that makes other governmental forms aberrations to the norm of democracy. This is seen in Collier and Levitsky's use of terms such as "restrictive" and "illiberal" to describe what they consider less democratic regimes, both of which carry negative connotations.

Thus, many existing studies use definitions that are empirically unreliable, theoretically simplistic, and ideologically/culturally biased, leading to the conclusion that to truly understand democracy, it is necessary to use multi-linear and graduated measures.

⁴⁰ Collier and Livitsky, "Democracy with Adjectives," 436-437.

A New Definition

This thesis takes a unique approach to these issues. First, it rejects the claim that democracy is measurable along a single axis of ‘democraticness’. Instead, it embraces Guillermo O’Donnell’s tripartite definition of polyarchy (an equivalent term for what is commonly called democracy) as elaborated in his essay “Horizontal Accountability in New Democracies.”⁴¹ Because O’Donnell’s ideas are the centerpiece of this thesis, understanding his tripartite definition requires a brief summary of his article. To begin, O’Donnell makes a distinction between horizontal accountability (the existence and willingness of state agencies to oversee other agencies of the state) and vertical accountability (the expression of citizen opinions through elections). He argues that many new democracies, particularly those emerging in Latin America at the time he wrote the article, adopt the institutions of vertical democracy, such as elections, but lack horizontal accountability. This leads to ‘delegative democracy’, a system of government in which politicians view informal rules as more important than constitutional guarantees and governmental controls. In justifying this argument, O’Donnell argues there are three components of polyarchy: (1) liberal – there are rights that no power, including the state, should violate; (2) republican – the key to governance is service to the public interest by a group of selfless leaders; and (3) democratic – citizens have a right to settle any matter they see fit. He argues that any successful polyarchy consists of a balance of these three elements—unrestrained democracy leads to majority tyranny; unrestrained liberalism leads to a plutocracy; and unrestrained republicanism leads to “paternalistic rule of a self-righteous elite.”⁴²

Admittedly, O’Donnell’s terminology is confusing, since he takes three words loaded with meaning (liberal, republican, and democracy) and argues they are all components of one regime type (polyarchy). Yet, terminological confusion aside, this distinction remains revelatory and helps

⁴¹ Guillermo O’Donnell, “Horizontal Accountability in New Democracies,” *Journal of Democracy* 9, No. 3 (1998): 112-126.

⁴² O’Donnell, “Horizontal Accountability,” 115.

mitigate two definitional problems: First, it allows for a definition that is simultaneously formal and procedural, since it takes into account elections on one hand (the democratic element), but also civil liberties and rule of law, which are usually associated with substantive definitions. Second, splitting polyarchy into three components rejects the idea that there is a single ideal form of democracy; it opens up the possibility of alternative and equally legitimate regimes that have a slightly different balance of polyarchic components. Third, by breaking democracy into components, this definition creates multiple measurable parts, making it easier to quantitatively evaluate democratic quality. By clarifying and slightly reshaping his components, it is possible to create a definition of polyarchy that reflects the three main theoretical strands commonly associated with modern democracy: (1) popular sovereignty (democratic); (2) individual freedom (liberalism); and (3) institutional accountability and balance (republican). For terminological clarity, in the rest of this essay, ‘polyarchy’ is used for democracy, while ‘democracy’ refers to the democratic component of polyarchy, as defined in the following section.⁴³

Democratic

Democracy is the most straightforward component of polyarchy. In its purest form, democracy equals direct democracy, as practiced in ancient Greece and contemporary Vermont town meetings, a phenomenon detailed by Frank Bryan in *Real Democracy*.⁴⁴ In practice, however, democracy takes the form of elected representatives responding to popular opinion through free and fair elections. Though different forms, the idea remains: democracy equals unfettered majority rule.

⁴³ It is important to note that my definition of polyarchy departs significantly from its original conception. Robert Dahl coined the term to differentiate between existing democracy (polyarchy), and the perfect theoretical ideal of democracy. Understood in this sense, Dahl’s term encompasses a procedural definition of democracy. However, I follow O’Donnell’s understanding of the term, and in this thesis, polyarchy refers to the substantive understanding of democracy elaborated in this section. I apologize for any terminological confusion, but polyarchy is the best term to escape the loaded connotations of the word ‘democracy.’

⁴⁴ Frank Bryan, *Real Democracy: the New England Town Meeting and How it Works* (Chicago: University of Chicago Press, 2004).

Paradoxically, defining democracy in this way means that many of the ideas commonly associated with democracy are undemocratic. For example, the American Bill of Rights is fundamentally undemocratic, because by constraining the majority's ability to curtail the rights of others it places a control on popular opinion. In Latin America, the rule of Hugo Chavez is the embodiment of democracy dominating other elements of polyarchy; encouraged by huge levels of popular support, Chavez has violated property rights, curtailed freedom of speech, arbitrarily punished his opposition, and ignored constitutional limits on his power. Western leaders have responded by decrying the eradication of democracy in Venezuela, but according to this definition, the opposite has occurred—Chavez's successful use of referenda illustrates that all of these supposedly 'undemocratic' actions have popular support, making them democratic! Thus, the ideal of democracy often finds itself in conflict with the liberal and republican components of polyarchy.

Liberal

Whereas democracy presupposes that the majority has the unfettered right to make any decision in any policy sphere that it sees fit, liberalism argues there are some areas protected from democratic control. In this paper, liberalism is roughly equivalent to Isaiah Berlin's formulation of negative liberty. He writes, "Liberty [in the] negative sense, is involved in the answer to the question 'What is the area within which the subject — a person or group of persons — is or should be left to do or be what he is able to do or be, without interference by other persons.'"⁴⁵ In other words, negative liberty, and thus the liberal component, is freedom from governmental and societal constraints. This definition includes economic freedom, civil liberties, and freedom from violence. Intentionally absent from this definition is positive liberty, defined as the enabling of one to reach their full potential; my understanding of liberty includes freedom *from* governmental and

⁴⁵ Isaiah Berlin, *Four Essays on Liberty* (Oxford: Oxford University Press, 1958), 130.

intrapersonal constraints, but not the freedom *to* do things, which might include government infrastructure allowing citizens the freedom to travel, or public education establishing the freedom to learn.

While theoretically this seems clear enough, in practice, liberalism can operate in contradictory ways, making it extraordinarily difficult to measure. For example, economic freedom and civil liberties can simultaneously move in opposite directions, as seen during Augusto Pinochet's rule in Chile. Furthermore, even when the measures of liberalism are in accord, they can conflict with democracy (as defined above). This is evident in the still lively debate about whether dictatorships are necessary to promote economic liberalization, which was especially relevant in the context of neoliberal economic reforms during the early 1990s.

Republican

As with the democratic and liberal components, the republican component emerges from a distinct theoretical tradition and is often at odds with the other two. Theoretically, republicanism holds a surfeit of meaning, with thinkers including Plato, Cicero, James Harrington, John Locke, Emmanuel Kant, Jean-Jacques Rousseau, and the American Founding Fathers all contributing their own definitions. This paper uses a broad definition of republicanism grounded in three ideas: (1) selfless commitment to the public good; (2) equality before the law; and (3) a balanced, law-based government. In practice, this means a republican government is one with low levels of corruption, strong rule of law, and effective checks and balances. In contrast to the other two components of polyarchy, the elements of republicanism are largely interrelated: rule of law can only exist where there is an independent and impartial judiciary, and both of these elements (at least theoretically) contribute to lower levels of corruption.

Even with these examples of what republicanism means in practice, it remains the fuzziest of the three, since it takes a collection of seemingly disparate principles and puts them together into one category. Nevertheless, they do make up an important whole, which is best understood in contrast to the other two elements. Whereas democracy represents unrestrained majority rule and liberalism equals unlimited individual freedom, republicanism implies the existence of a static body of laws that checks both majority rule and individual freedom in order to ensure government functions for the public good. Understood in this manner, it becomes clear that changes in republicanism, as with democracy and liberalism, can lead to tradeoffs with other elements. A good example of this can be seen in the government of the United States, where the founding fathers established a republican system of checks and balances for the explicit purpose of reducing the public's ability to effect drastic change—institutions such as the electoral college and supreme court are antithetical to democracy, but integral to republicanism.

Conclusions

Defining polyarchy in this manner is a bit of a departure from most influential studies of democracy and development, but is not unprecedented. It is heavily influenced by the work of O'Donnell as mentioned earlier, and also corresponds to a relatively obscure working paper by Oxford DPhil. candidate Jairo Acuña-Alfaro, who splits polyarchy into three similar elements: (1) an open and participatory environment with political opportunities; (2) a free and open life environment; and (3) a sound and vigorous political environment.⁴⁶ The main difference is, while he tethers his components to existing definitions of democracy (formal, substantive, and procedural) and measures of democracy (Polity, Polyarchy and Freedom House), I argue they emerge from the

⁴⁶ Jairo Acuña-Alfaro, "Measuring Democracy in Latin America (1972-2002) *Committee on Concepts and Methods Working Paper Series* (August 2005).

rich history of political thought; measuring them is more complicated than using a single pre-existing measure of polyarchy and expecting it to match.

Regardless of precedents, this disaggregation of polyarchy takes a definitive step towards reflecting its complexity. As Amartya Sen writes, “Democracy has complex demands, which certainly include voting and respect for election results, but it also requires the protection of liberties and freedoms, respect for legal entitlements, and the guaranteeing of free discussion and uncensored distribution of news and fair comment.”⁴⁷ Consequently, since polyarchy is an exceedingly complicated concept, it needs an equally detailed definition to produce meaningful quantitative research results. While certainly not perfect, the definition put forth in this thesis is a step towards that goal; it is a definition that reflects a gradual, indeterminate, and evolving conception of polyarchy.

A Contemporary Timeline and Focus on South America

Contemporary Timeline

This thesis is notable for two other innovations: its narrow and contemporary timeline, and its regional focus on South America. There are three main advantages of using a narrow and contemporary timeline. First, its modern focus allows for some measure of isolation from unrelated economic changes. It avoids some of the economic experimentation of import-substitution industrialization and neoliberal reforms associated with the Washington Consensus, both the result of predominant economic thinking and international intervention, not regime type. While South American countries from 1995-2006 are still dealing with the consequences of these economic policies, they now have greater independence from external political and economic influences. Second, a modern focus is more applicable for contemporary attempts at democratization. As Uk

⁴⁷ Amartya Sen, “Democracy as Universal Value,” *Journal of Democracy* 10, No. 3 (1999): 5.

Heo points out, international events such as the Cold War may have had a huge effect on the interaction between polyarchy and development, but are no longer an issue for democratizing countries.⁴⁸ Finally, a wealth of data has become available in recent years, so that instead of relying on one of the traditional indices used to measure democracy (i.e.-Freedom House or Polity), it is possible to use sources such as public opinion surveys (i.e.-Latinobarómetro and the Corruption Perceptions Index) and World Bank statistics.

The main drawback to this approach, as Gerring et al. argue in their article “Democracy and Economic Growth: A Historical Perspective,” is that the benefits of democracy may not become clear over the short-term.⁴⁹ They argue that over time democracy improves political capital (measured by the amount of years a country has sustained a democracy), which statistically leads to improved economic performance.⁵⁰ This is a legitimate point, but is beyond the scope of this study, which focuses on the short-term effects of democracy. However, though the long term effects of democracy are beyond the aim of this paper, I still try to mitigate this methodological shortcoming in two ways: First, I use a development indicator reflecting immediate change (per capita GDP) instead of long-term shifts, as would be the case if I used infant mortality rates or other similar statistics. Second, my case studies question whether short-term changes in development levels have alternate long-term structural causes.

South American Focus

Another important aspect of my thesis is its focus on South America. As mentioned earlier, most landmark studies of the relationship between polyarchy and development have a global focus. This can often have a distorting effect; regions democratize at different times and have unique

⁴⁸ Heo and Tan, “Democracy and Economic Growth,” 471.

⁴⁹ John Gerring, et al. “Democracy and Economic Growth: A Historical Perspective,” *World Politics* 57, No. 3 (2005), 323-364.

⁵⁰ *Ibid*, 350-352.

historical legacies that shape their experience with polyarchy. For example, polyarchy can be inhibited by ethnic and religious conflicts, as in the Balkans, or the existence of oil within a region, as seen in the Middle East with the applicability of rentier state theory.⁵¹ Furthermore, as Laurence Whitehead points out, international relations endemic to a region can play either a supportive or destabilizing role.⁵²

A good empirical study of these problems is Todd Landman's study, "Economic Development and Democracy: the View from Latin America." In the paper, he attempts to replicate the empirical analysis done by Lipset and Przeworski on a regional scale, but after using multiple formulas, concludes global studies showing a definitive relationship between democracy and economic development are not applicable to Latin America.⁵³ There is an undisputedly positive global correlation between polyarchy and economic development, but Landman's study suggests they are unrelated in a location where issues of polyarchy, and its relation to economic growth, are crucially important.⁵⁴

With these critiques in mind, I am choosing to focus on South America⁵⁵ because it provides the best possible laboratory to study democratization. The region has a somewhat shared historical/cultural experience, since while there are certainly historical differences between the countries, they share a comparatively similar history. Furthermore, there are no intractable religious or ethnic conflicts, and even though tremendous economic polarization and the marginalization of indigenous peoples exist, these are not existential threats to South American democracies. In

⁵¹ Hezem Beblawi and Giacomo Luciani, eds., *The Rentier State* (New York: Croom Helm, 1987).

⁵² Laurence Whitehead, ed., *The International Dimensions of Democratization: Europe and the Americas* (Oxford: Oxford University Press, 2001).

⁵³ Todd Landman, "Economic Development and Democracy: the View from Latin America" *Political Studies* 47, No. 4 (September 1999): 624.

⁵⁴ A good defense of a region-specific approach can be found in" Scott Mainwaring and Anibal Pérez-Liñán, "Why Regions of the World are Important: Regional Specificities and Region-Wide Diffusion of Democracy" in *Regimes and Democracy in Latin America*, ed. Gerardo L. Munck (Oxford: Oxford University Press, 2007).

⁵⁵ In this paper, South America does not include Guyana, French Guyana, and Suriname, which are small in size, as well as economically, politically, and culturally distinct from the rest of the continent.

addition to these helpful similarities, there are useful differences between the countries. All South American countries have somewhat decent levels of polyarchic quality, but vary along different axes. For example, Chavez's government in Venezuela is notable for its high level of democratic support, albeit at the expense of rule of law, while Chile is the opposite, characterized by a stellar rule of law, but with lower levels of democratic support.⁵⁶ Finally, in addition to their differentiated static levels of democratic quality, countries throughout the region have moved in different directions along all of these axes from 1995-2006, making it possible to study how changes in democratic quality affect development.

Before discussing methodology, there is one last issue meriting discussion: sub-national analysis. Admittedly, the quality of local governance and the relative power balance between federal and local governments are important elements of polyarchy, but their introduction would make a huge undertaking unmanageable. Thus, this thesis focuses solely on federal governments. Discussions of sub-national power constellations are an important part of polyarchic quality, but require deeper analysis than this essay could provide.

⁵⁶ Statistical work found in the rest of the paper supports these broad generalizations.

Chapter 3: Quantitative Methodology

Whereas the previous two chapters recapped the literature and provided a theoretical grounding for my quantitative and qualitative research, the remainder of this thesis presents and dissects this research. Organizationally, it is divided into two sections: (1) quantitative research (Chapters 3 and 4), which creates composite indices of the three components of polyarchy and compares trends in each component to trends in per capita GDP on a regional level; and (2) qualitative case studies (Chapter 5) examining how these quantitative findings correspond to individual country histories.

The quantitative research was carried out as follows: First, I picked three representative indicators for each of my three polyarchic components (democracy, liberalism, republicanism). These indicators include a mix of composite indices (a collection of other surveys combined in one time adjustable measurement), expert sources (surveys of either experts or businessmen), and public surveys (popular opinion polls). The result is the following:⁵⁷

1. Democracy
 - a. World Bank Voice and Accountability index (composite index)
 - b. Latinobarómetro public opinion survey (public survey)
 - c. Freedom House political rights rating (expert analysis)
2. Liberalism
 - a. Heritage Foundation Economic Freedom Index (composite index)
 - b. Freedom House civil liberties rating (expert analysis)
 - c. World Bank Political Stability and Absence of Violence index (composite index)
3. Republicanism
 - a. Transparency International's Corruption Perceptions Index (composite index)
 - b. World Bank Rule of Law Index (composite index)
 - c. World Bank Corruption Index (composite index)

⁵⁷ The suitability of these measures is discussed later in the chapter.

All of these have unique scales (i.e.- Freedom House ranges from 1-7, while the World Bank measurements range from -2.5 to 2.5), so to facilitate the creation of a composite index these scales were converted to a range from 0-100 (with 100 representing the highest level of polyarchic quality), then averaged for the periods 1995-1997, 1998-2000, 2001-2003, and 2004-2006. The reason why I average these scores for three-year periods is to prevent single-year aberrations from having a significant effect on my conclusions. Following this, I averaged the three sources for each component to come up with a value (on the same 0-100 scale) for the democratic, liberal, and republican components. These composite measurements are calculated for each country, then averaged into a regional total. The full results of this work are in the appendix.⁵⁸

To measure development, I use per capita GDP adjusted for purchasing power parity.⁵⁹ As seen throughout the literature review, scholars from Lipset to Przeworski have used GDP, since despite its shortcomings it remains the best measure for tracking short-term changes in economic growth. Nevertheless, its problems merit a brief discussion. For measuring development (as opposed to just economic growth), GDP is woefully incomplete and has all sorts of shortcomings including a negligence of human welfare and inequality. Even as a measure of economic growth, GDP can be inaccurate, as seen in the work of Scott Fuess, Jr. and Hendrik Van den Berg.⁶⁰ However, for the purposes of this paper, there are no viable alternatives. Other prominent indices, such as the United Nation's Human Development Index, fail to reflect major levels of change in the short-term because of their incorporation of long term measurements (i.e.- life expectancy) and other statistical issues prevent chronological comparisons on a scale shorter than five-year periods. Out of the different measures of GDP, I use GDP adjusted for purchasing power parity because it is the best measure of

⁵⁸ It is important to note that these measurements are important solely for their trends. It is methodologically unsound to compare static levels of any component or subcomponent of democratic quality because only some of the measures are comparable between countries.

⁵⁹ These numbers come from the Economist Intelligence Unit, accessed from Dartmouth University's libraries.

⁶⁰ Scott Fuess Jr. and Hendrik Van Den Berg, "Does GDP Distort Mexico's Economic Performance?" *Southern Economic Journal* 64 (1998).

what citizens' money can buy, and thus, their standard of living. While not perfect, it measures the “bundles of consumption a person can choose,”⁶¹ reflects short term change, and as such, is the best available measurement of development for this paper.⁶² It is also important to note that the total measurements reflect the average of the ten countries and do not take into account differences in population. Thus, even though Bolivia has a smaller population, their per capita income has equal weight (in order to correspond to the equal weighting accorded to polyarchic measurements).

Before spending the rest of this chapter discussing the sources for each individual component, it is necessary to make a couple of points. First, the data sets used for this analysis are both incomplete and derived from opinion, not objective criteria; many of the data sets are missing years and all rely on the perception of citizens and experts. It is naïve to expect these to serve as an entirely accurate reflection of polyarchic quality—averaging three imperfect sources does not result in a perfect understanding of a country. Thus, to offset some of this subjectivity and variance, I use composite indices, rely on different sources for each component, and focus only on drastic shifts or sustained trends. It should be clear from this that my quantitative work is mostly a guide for qualitative research, but I also believe it can serve as a precursor for more thorough disaggregations of polyarchy, especially with the emergence of new measurement tools like the World Bank governance indices and extensive public opinion polling.

The following sections will dissect the sources used for each component, and then analyze significant trends and correlations within the polyarchic components, as well as between the components and development.

⁶¹ Przeworski, *Democracy and Development*, 6.

⁶² In this paper, the terms ‘development’ and ‘economic growth’ are interchangeable.

Measuring the Democratic Component

The first component of polyarchy is democracy—the extent to which the majority influences governmental action. This thesis uses three indicators to measure democracy: (1) the World Bank’s Voice and Accountability index;⁶³ (2) a Latinobarómetro public opinion survey;⁶⁴ and (3) the Freedom House political rights rating.⁶⁵

World Bank - Voice and Accountability

The first dataset I use is the World Bank’s Voice and Accountability index, which measures the “extent to which country’s citizens are able to participate in selecting their government.”⁶⁶ According to this definition, the index is the perfect measurement for the democratic component—it explicitly measures the control citizens have over their government. This index is one of six indicators the World Bank uses to measure governance (others include Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). Of these, this essay also uses Political Stability, Rule of Law, and Control of Corruption, and because these indicators use roughly the same methodology, this discussion of Voice and Accountability will cover the shared pros and cons of these datasets.

These indices are subjective composites made up of a varying number of sources, including public surveys and expert opinions. They have been released for every two years between 1996 and 2002, and every year after 2002, meaning that in my dataset, 1995-97 equals the country’s 1996 rating; 1998-2000 is the average of 1998 and 2000; 2001-2003 is the average of 2002 and 2003; and 2004-2006 is the average of all three years. In addition to the increasing amount of data for each

⁶³ World Bank, *Governance Matters 2008: Worldwide Governance Indicators, 1996-2007*, <http://info.worldbank.org/governance/wgi/index.asp>.

⁶⁴ Latinobarómetro, <http://www.latinobarometro.org/>.

⁶⁵ Freedom House, *Freedom in the World*, <http://www.freedomhouse.org/template.cfm?page=15>.

⁶⁶ World Bank, “Frequently Asked Questions,” *Governance Matters 2008: Worldwide Governance Indicators, 1996-2007*, <http://info.worldbank.org/governance/wgi/faq.htm#11>.

period, the indices themselves have increasing amounts of sources, and consequently, a lower margin of error. For an example of this, one can look at Uruguay's Voice and Accountability ratings: 1998 includes six sources—five expert sources (i.e.- Economist Intelligence Unit) and one public poll (Latinobarómetro); for 2003, this is up to nine sources—two public surveys and seven expert sources; and for 2007, there are eleven sources, four of which are popular polls. Despite this constantly evolving sourcing, the aggregate scores used in this essay are comparable over time; as the World Bank details on their website, new sources are incorporated in such a way that they increase accuracy without significantly altering the score.⁶⁷

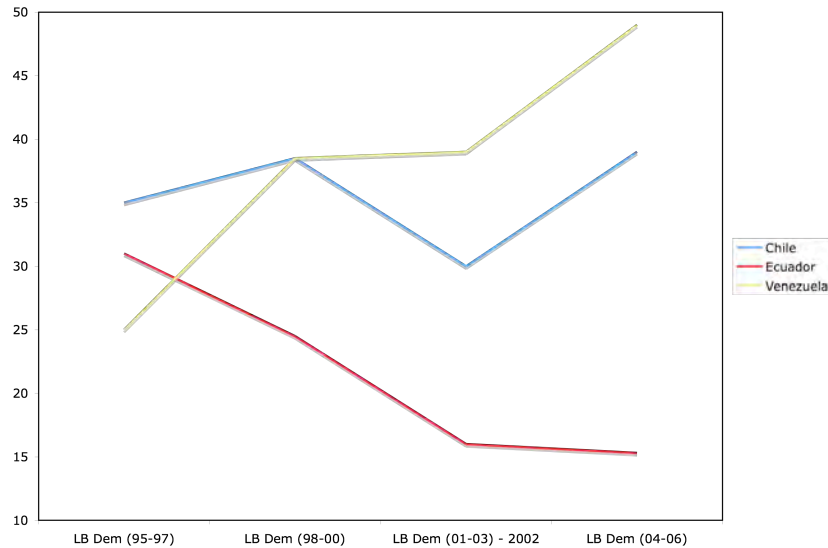
Latinobarómetro – Support for Democracy

The second source I use is Latinobarómetro, an organization that polls Latin American citizens about political and social issues. It is by far the most cited and influential public opinion survey in the region, but unfortunately, the entire data set is prohibitively expensive for an undergraduate thesis (and the University of Vermont lacks institutional access). Thus, while it would be preferable to aggregate the answers to a variety of questions about democratic attitudes, I am limited to one: “In general, would you say that you are very satisfied, fairly satisfied, not very satisfied, or not satisfied at all with the way democracy works in [country]?”⁶⁸ Furthermore, because I accessed this data through the World Bank website, it does not include 1995, 1997, 1999, or 2001.

Despite these limitations, I feel that popular support for democracy is an incredibly powerful indicator of democratic quality in a society. This is apparent in the following graph of democratic satisfaction in Chile, Ecuador, and Venezuela:

⁶⁷ The specific way the World Bank accomplishes this is beyond the scope of this paper, but for an explanation, as well as a detailed discussion of the pros and cons, see: Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, “Governance Matters VII: Aggregate and Individual Governance Indicators,” *World Bank Policy Research Working Paper No. 4654* (June 24, 2008). Accessed at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1148386.

⁶⁸ Pascual Serrano, Venezuela Information Centre, “LATINOBAROMETRO: Venezuelans satisfied with democracy” (2007). Accessed at: http://vicuk.org/index.php?option=com_content&task=view&id=235&Itemid=63.



As seen in this chart, Chile has had a consistent and relatively high level of democratic satisfaction, reflecting the country's stable democracy. In contrast, Ecuador's score reflects the country's democratic breakdown, constitutional disarray, and increasing citizen estrangement from government. In Venezuela, the power of public surveys to reflect unique aspects of democratic quality is most apparent. Even though expert organizations (i.e.-Freedom House) claim the country began a period of democratic regression with the election of Chavez, the general population has actually become increasingly satisfied with democracy. This reflects what citizens perceived as a deepening influence over the political process, exemplified by Chavez's frequent use of referenda and his direct communication with citizens (as seen in his personal television show, *Aló Presidente*).⁶⁹ In this sense, it is clear that the Latinobarómetro poll reflects a very different understanding of democracy than commonly permeates popular discourse. It seems to reflect levels of popular engagement and the extent to which citizens feel their government represents their beliefs. Therefore, even though this survey is already incorporated into the World Bank Voice and Accountability index, it is important enough to merit its inclusion as a distinct component.

⁶⁹ Steve Ellner, "The Contrasting Variants of the Populism of Hugo Chavez and Alberto Fujimori," *Journal of Latin American Studies* 35 (2003): 140.

Freedom House - Political Rights

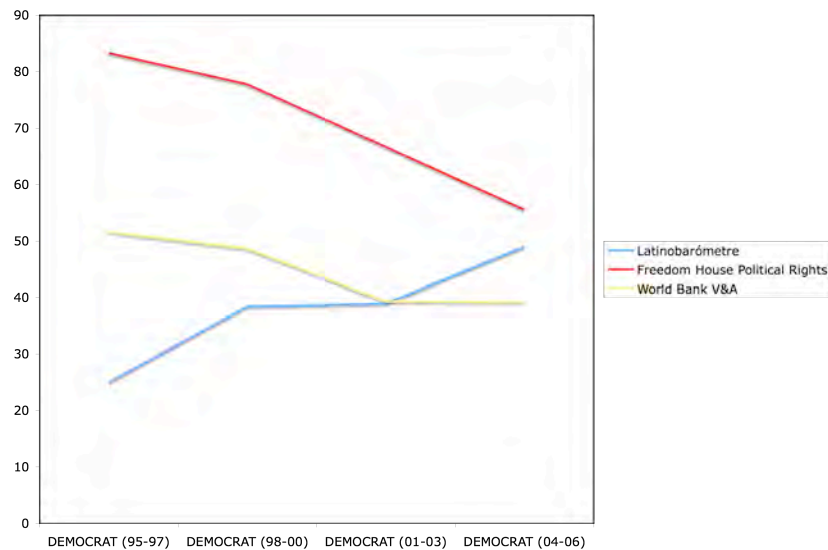
As with the Latinobarómetro survey, despite its presence in the World Bank Voice and Accountability index, the Freedom House political rights score is influential enough to stand on its own. Considered the definitive source covering freedom around the globe, Freedom House is widely cited by politicians, journalists, and scholars. To measure democracy, I use their political rights rating, which defines political rights as rights “enabling people to participate freely in the political process, including the right to vote, compete for public office and elect representatives who have a decisive impact on public policies and are accountable to the electorate.”⁷⁰ As seen in this definition, the measurement corresponds directly to my definition of democracy, focusing solely on the ability of individuals to influence politics. For methodology, Freedom House relies on the opinions of over 30 analysts, consults NGOs and think tanks, and incorporates the opinions of outside regional experts. Through this process, analysts come up with a country’s political rights rating on a scale of integers from 1-7, with one reflecting the highest level of political rights and seven the lowest.

Admittedly, the Freedom House survey has its fair share of faults. For example, its framework and methodology are entirely dependent on a select group of experts, lending the rating a disconcerting air of secrecy. In addition, because the rankings have enormous policy ramifications, there is a danger of ideological bias. All the same, despite these shortcomings, Freedom House remains one of the most respected sources of expert opinion on democratic quality, providing an interesting counterpoint to citizen-derived perceptions of democracy.

⁷⁰ Freedom House, *Methodology*, <http://www.freedomhouse.org/template.cfm?page=35&year=2005>.

Other Issues in Measuring Democracy

Though the democratic indices all purport to portray the same occurrence (the degree to which a government incorporates the views of citizens), it is important to note that they often contradict each other. Once again, the example of Venezuela is instructive in this respect:



It becomes clear when looking at this graph that these measurements cover very distinct aspects of democracy. While both Freedom House and the World Bank show a decline in democraticness, Latinobarómetro responds inversely, reflecting increased citizen satisfaction.

So, what does this mean for my attempt to measure democracy? Initially, it seems the Latinobarómetro survey might actually be the best measure of a society's democraticness, suggesting that the Freedom House and World Bank indices bear the taint of ideological and culturally biased presuppositions about the ideal form of democracy. Yet, there is an equally convincing counter-argument that the Freedom House and World Bank's indices are actually more accurate because they insist that all citizens have basic political rights (a point the Latinobarómetro survey ignores). This ensures that all citizens are able to participate, regardless of whether they influence the outcome.

There is no easy solution to this conundrum, but a middle road does exist. Since all the measures correspond to the same theoretical idea, in a case like Venezuela where the trends of

different measurements cancel each other out, the resultant static status of democratic quality is fitting—the government is not becoming more democratic or undemocratic, it is just evolving in a way that leads to a different balance of democratic elements. This is similar to how varying levels of democratic, republican, and liberal quality do not necessarily lead to a corresponding change in polyarchic quality. Changing levels of any single element lead to a ‘different’ government, but this does not imply any value judgment about whether it is improved.

Measuring the Liberal Component

The second component of polyarchy is liberalism, defined as freedom from economic, political and social constraints. The sources I use to quantify this concept are: (1) the Heritage Foundation’s Index of Economic Freedom;⁷¹ (2) Freedom House’s civil liberties rating;⁷² and (3) the World Bank’s Political Stability and Absence of Violence index.⁷³

Heritage Foundation - Index of Economic Freedom

The first measurement for the liberal component is the Index of Economic Freedom, the most cited, albeit controversial, measure of economic freedom. The Heritage Foundation conducts the study by measuring economic freedom along ten axes: business freedom, trade freedom, monetary freedom, government size, fiscal freedom, property rights, investment freedom, financial freedom, freedom from corruption, and labor freedom. Using a variety of statistical and subjective measurements, the Foundation creates a score (0-100) for each component of economic freedom, then averages the ten scores to create an economic freedom rating.

⁷¹ Heritage Foundation, *Index of Economic Freedom: Link Between Economic Opportunity and Prosperity*, <http://www.heritage.org/Index/>.

⁷² Freedom House, *Freedom in the World*.

⁷³ World Bank, *Governance Matters*.

The Index of Economic Freedom is the most controversial of my measurements because of its institutional affiliation: the Heritage Foundation is a self-proclaimed conservative think tank dedicated to “free enterprise, limited government, individual freedom, traditional American values, and a strong national defense.”⁷⁴ The inclusion of an unabashedly conservative source is bound to raise questions of bias, particularly since the other sponsor of the survey, the Wall Street Journal, is not known as a beacon of impartiality. Admittedly, these allegations are somewhat true. As the World Bank points out, the survey has a consistent ideological bias and tends to rank right-of-center governments higher. However, this bias is “fairly modest in magnitude,”⁷⁵ and likely reflects the tendency of right-of-center governments to increase economic freedom.

In this sense, even though the Heritage Foundation is loud and clear in its support of economic freedom, the use of their indicator does not lead to any value judgments about whether economic freedom is desirable. Likewise, some of the criteria suggest conservative ideological leanings (i.e.-small government), but that is because economic freedom is an intrinsic tenet of conservative thought. Consequently, it is neither surprising nor necessarily problematic that the index has a minor ideological bias.

Freedom House - Civil Liberties

My second measurement of liberalism is the Freedom House civil liberties rating. For methodology, the civil liberties rating uses the same process as the political rights score: expert surveys, with the only difference being its focus on personal freedom, freedom of expression and belief, associational/organizational rights, and rule of law. These criteria make the civil liberties rating a good measurement of personal and political freedom. Naturally, the same critiques

⁷⁴ Heritage Foundation, *About Us*, <http://www.heritage.org/about/>.

⁷⁵ World Bank, “Frequently Asked Questions.”

mentioned while discussing Freedom House's political rights ratings apply here, but as with its counterpart, the civil rights rating remains prominent and respected enough to merit inclusion.

World Bank - Political Stability and Absence of Violence

Defined by the World Bank as a measurement of, "the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means," the World Bank's Political Stability and Absence of Violence index is the most theoretically unconventional indicator. Whereas the Heritage Foundation and Freedom House indices measure commonly accepted aspects of freedom (political and economic), this index measures something different: freedom from violence.

As argued in Peter Iadicola and Anson Shupe's *Violence, Inequality, and Human Freedom*, "violence ultimately refers to a denial of human freedom."⁷⁶ In other words, the existence of violence necessarily implies the denial of one's freedom. This occurs in two ways: (1) violence directly affects freedom by negatively influencing one's safety; and (2) the existence of violence and instability creates a climate of fear that indirectly limits one's freedom. To understand this, it is instructive to look at the consequences of terrorism: On one hand, terrorism directly affects freedom by killing civilians (taking away their freedom to live) and harming business (taking away one's freedom to work). Yet, terrorism also affects freedom in an indirect way by creating a climate of fear that constrains all citizens, even through little things such as a fear of going out in crowded public places or taking public transportation.

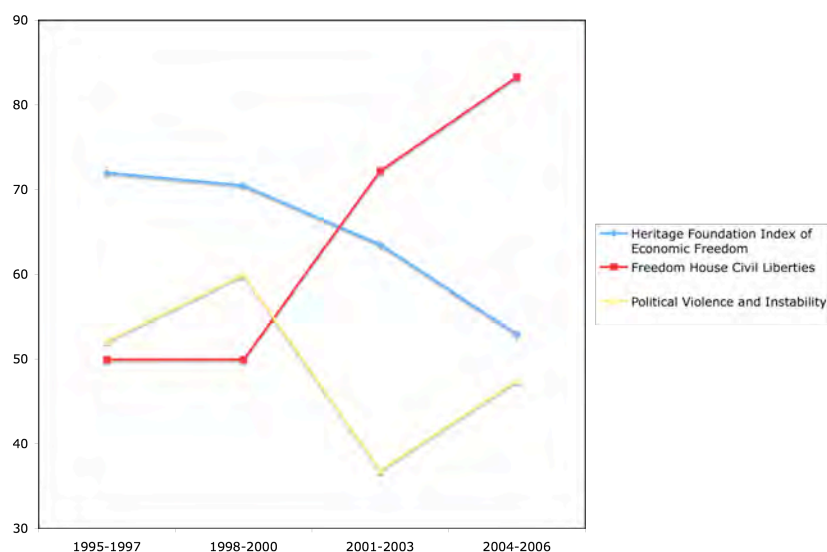
As with the other World Bank measurements, the Political Stability index incorporates a varying number of ratings, with data coming primarily from expert sources such as the Economist Intelligence Unit, the Global Insight Global Risk Survey, and the Cingranelli Richards Human Rights Database & Political Terror Scale. The same caveats mentioned in the discussion of previous

⁷⁶ Peter Iadicola and Anson Shupe, *Violence, Inequality, and Human Freedom* (Lanham: Rowman & Littlefield, 2003), 377.

World Bank measures apply with this index: it relies on a varying number of sources over time, has a wide margin of error, does not cover each year, and is entirely subjective. Despite these drawbacks, it remains a comprehensive measure of violence and political stability, and even its subjective nature is an asset, not a flaw, because shifts in risk perception are the best way to measure how issues of violence and instability actually affect citizens.

Other Issues in Measuring Liberalism

As with the democratic component, these measures of freedom are not necessarily directly related, which is understandable because they cover discrete aspects of liberalism. This is seen in the following chaotic graph of liberalism in Argentina:

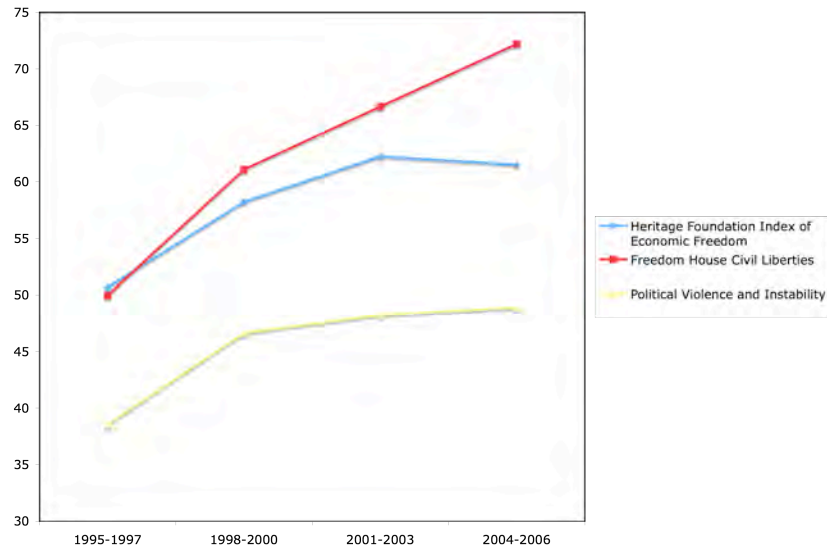


At first glance, this is a bit confusing because the graph depicts three measurements nominally measuring the same thing (freedom) moving in entirely different directions. To understand this divergence, a brief history is helpful. During the early 1990s, Carlos Menem's administration pursued neoliberal economic policies, including the privatization of industry and fiscal austerity measures in an attempt to control inflation. This accounts for the initially high level of economic freedom noted by the Heritage Foundation. Simultaneously, however, Menem issued

pardons to all members of the military for past abuses and cracked down on unions, explaining the relatively low Freedom House score for civil liberties.⁷⁷ In 2001 and 2002, a severe financial crisis hit the country, resulting in the devaluation of the Argentine Peso to a quarter of its pre-crisis value, violent riots, and the resignation of the recently elected president, Fernando de la Rúa. These events show up in the plunging score for political violence and instability, as well as the decline in economic freedom resulting from governmental economic intervention. Yet, at the same time, civil liberties continued to increase because Argentina elected left-of-center Peronist Néstor Kirchner in 2003, who implemented reforms overturning Menem's military amnesty law. Thus, statistical trends during Kirchner's rule (marked by the 2004-2006 data point) show an increase in political stability and civil liberties, but a decrease in economic freedom because his government continued to intervene in Argentina's economy.

As with the divergent trends within the democratic measures, this does not mean the indices are flawed, but that a country can move simultaneously in different directions. In this sense, the differing measurements reflect a change in the respective balance of freedoms within a country, but not necessarily a change in overall liberal quality. Furthermore, Argentina is not representative of South America, since most countries in Latin America have trends more akin to Brazil:

⁷⁷ Daniel Treisman, "Stabilization Tactics in Latin America: Menem, Cardoso, and the Politics of Low Inflation," *Comparative Politics* 36, No. 4 (July 2004): 412.



As seen in this graph, the three measurements move in the same direction, with a large initial increase followed by a gradual leveling (and in the case of economic freedom, a slight decline). This type of pattern is more common than the extreme variation seen in Argentina, but as that example highlights, it is crucial to analyze the underlying indicators to help get a better picture of how liberalism evolves in a country.

Measuring the Republican Component

The final component of polyarchy is republicanism, defined as governmental commitment to the public interest and equality before the law. To measure republicanism in this paper I use three measures of corruption/rule of law: (1) Transparency International's Corruption Perceptions Index; (2) the World Bank's Control of Corruption index; and (3) the World Bank's Rule of Law index.

Corruption Perceptions Index

The first measure for my republican component is Transparency International's (TI) Corruption Perceptions Index (CPI), which is an aggregate index started in 1995 that uses opinion

surveys to rate corruption levels. TI considers corruption “the abuse of public office for private gain,”⁷⁸ and uses surveys of international and domestic business communities to come up with an annual rating ranging from 0-100. They also have two other indices, the Bribe Payers Index (rating developed countries who bribe developing countries) and the Global Corruption Barometer (measuring public perceptions of corruption), but these started in 1999 and 2003 respectively, rendering them unusable because they do not cover a significant part of my timeline.

By definition, republicanism involves selfless service to the public good, which corruption measures such as the CPI address directly. Nevertheless, two drawbacks of the CPI are immediately apparent. First, as a public opinion survey, it only takes into account a small minority of the population because it focuses solely on the opinion of businessmen inside and outside of the country. Second, it is an incredibly imprecise measurement; the number of sources and margin of error vary from country to country, and as an annual comparative measurement, there is a danger that the score does not adequately consider these annual differences in methodology. These problems are unavoidable, but the aggregation of the CPI into three-year periods mitigates some of this statistical turbulence.

World Bank Corruption

The next measure of republicanism is the World Bank’s Control of Corruption index. According to the World Bank, this measure quantifies “the extent to which public power is exercised for private gain, including petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.”⁷⁹ As with the other World Bank indices, it is a composite index, and integrates measurements such as Economist Intelligence Unit corruption ratings, World Bank

⁷⁸ Transparency International, “Transparency International Bribe Payers Index 2002: Explanatory Notes and Comparative Tables,” (Berlin: Transparency International, 2003).

⁷⁹ World Bank, “Frequently Asked Questions.”

Country Policy and Institutional Assessments, and Latinobarómetro polls to create a measure of corruption. It uses the same methodological approach as the other World Bank measures, leaving it with the same problems (i.e.-limited range of years, subjective nature, etc.), but nevertheless remains an important measure of corruption and complements the CPI by bringing in varied sources.

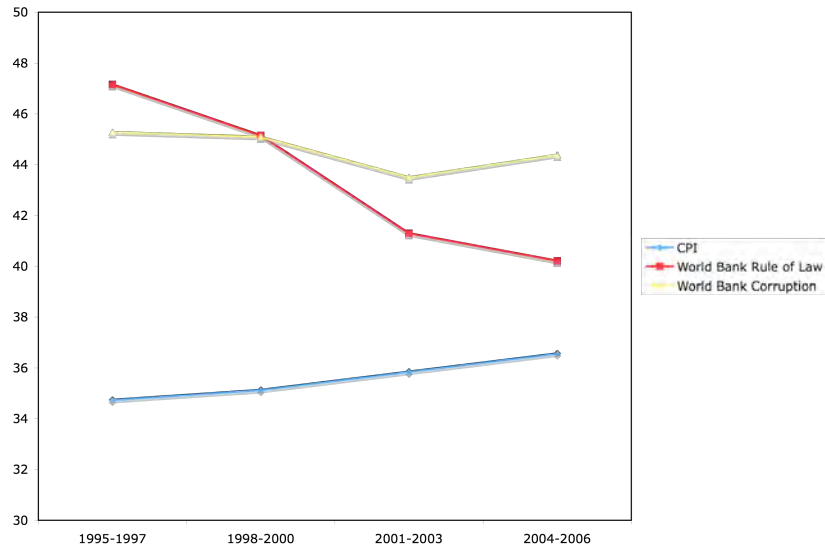
World Bank Rule of Law

The final measurement used for republicanism is the World Bank Rule of Law index. In the words of the World Bank, the index “measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts.”⁸⁰ This is a crucial aspect of republicanism because it indicates the ability of the justice system to propagate a rule-based society. For sources, the Rule of Law index aggregates between 6-20 sources for each country, including Latinobarómetro and Gallup public opinion polls, Economist Intelligence Unit and World Bank expert surveys, as well as Global Insight and Business Environment risk surveys. As with the other World Bank components, they provide a full list of sources online (including subcomponent scores) and the same caveats apply.

Other Issues in Measuring Republicanism

In contrast to the democratic and liberal components, because the republican indices measure very similar concepts (corruption and rule of law) there is little variation between the components, and the measurements generally have the same trends. The only tendency worth noting is that rule of law declines while corruption levels remain steady, which is reflected in the totals:

⁸⁰ World Bank, “Frequently Asked Questions.”



As seen in the above graph, Rule of Law declines at the same time both corruption indicators show no significant movement. The significance of these trends, as well as those seen in other polyarchic components will be explored further in the following chapters.

Closing Comments on Measuring Polyarchy

While these measurements are not definitive, they serve as a useful synthesis of many diffuse indices and reflect a more nuanced conception of polyarchy than existing alternatives. Once again, it is necessary to emphasize that some of the measurements have a relatively mixed reputation (i.e.- Heritage's Index of Economic Freedom and the CPI), and all are subjective, which reinforces the need to be cautious in interpreting the data. Nevertheless, having recognized these flaws, they are good measures to use because each paints a slightly different picture of polyarchic quality, mirroring the complex and shifting definition of polyarchy that I put forth in my theoretical section.

With my methodology established, the next two chapters analyze the results of this research.⁸¹ The following chapter begins this discussion talking about regional trends, which

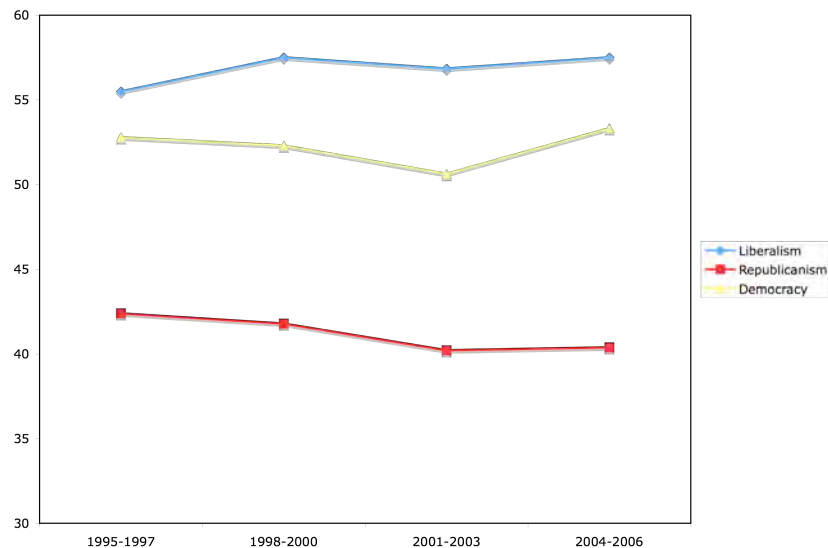
⁸¹ The results are in the appendix.

establishes a regional context for the individual case studies and proves the validity of the quantitative measurements. Chapter 5 takes this context and looks specifically at how shifts in polyarchic quality (as seen in quantitative and qualitative analysis) affect economic growth in Chile, Peru, and Venezuela.

Chapter 4: Regional Results

In this section, I look at my results on a regional level in order to: (1) understand whether my quantitative measurements reflect political realities; (2) determine whether it is possible to generalize about regional polyarchy and development; and (3) provide context for my qualitative research. The following discussion explores these issues with as much clarity as possible.

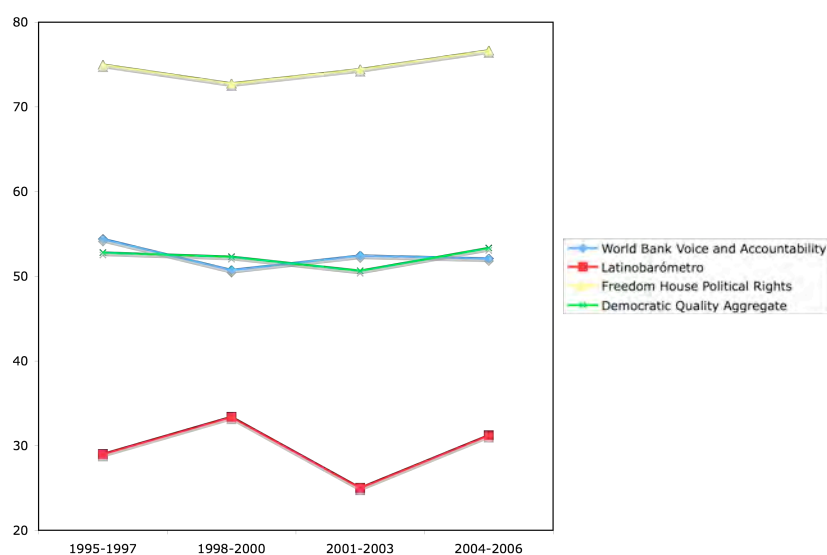
Regionally, the results of my quantitative results are perplexing at best: the aggregate scores for democratic, republican, and liberal quality in South America between 1995 and 2006 show almost no movement whatsoever:



As seen in this graph, there is almost no variation in polyarchic quality from 1995-2006, with the biggest change between two periods barely exceeding 2.5 points. This is surprising to say the least. During this period, South America witnessed countless dramatic events, including the decline of Fujimori in Peru, the ascendancy of Hugo Chavez in Venezuela, and the Argentine economic crisis. In other countries, Ecuador's government slowly disintegrated, Colombia continued to struggle with drug violence, and Brazil worked to consolidate democracy. Viewed together, these elements are

hardly the recipe for stability, yet the numbers show no significant regional movement, raising the question: Is this because most other South American countries remain so stable that they balanced these out these exceptions, or did countries' varying levels of polyarchic quality serendipitously move in proportionately different directions, offsetting changes in other countries' polyarchic quality? In this section, I examine the complexities of changing levels of polyarchic quality in Latin America by breaking down the numbers and looking at trends within each measurement. By doing so, it becomes clear there is no definite relationship between polyarchic quality and development on a regional level; the interactions are too indeterminate.

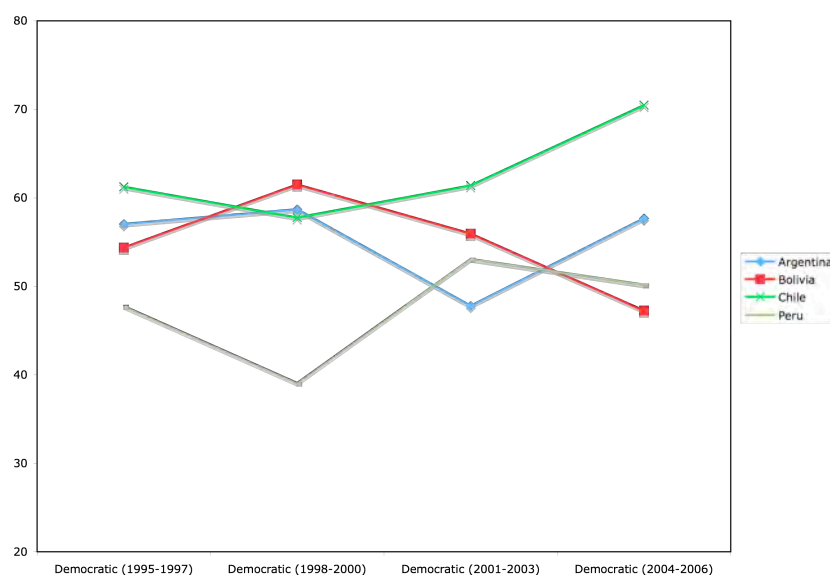
Trends in Democratic Quality



Superficially, the democratic component of polyarchy seems straightforward because regional totals for each measurement remain largely static, as seen in the above graph. The Latinobarómetro survey shows some turbulence, which seems typical for a public opinion survey, but neither it, nor the other measurements show any statistically significant movement. However, this changes when looking at the results within each country and measurement.

Breaking Down the Results by Country

To begin, it is useful to look at how individual countries move within the democratic quality aggregate (DQA). The following graph shows a selection of representative countries:



As seen in the graph, when broken down by country, levels of democratic quality are nowhere near as static as they originally appeared; there is significant movement in various directions, corresponding to events within each country. For example, Argentina shows a notable dip in democraticness from 2001-2003, reflecting the disempowerment and cynicism that resulted after economic crisis led to the resignation of Fernando de la Rúa and the undemocratic appointment of two successors (Adolfo Rodríguez Saá, and the candidate who lost the 1999 election to de la Rúa, Eduardo Duhalde). Likewise, for Chile, the general upward trend reflects continued democratic consolidation, culminating in the surprising election of center-left Socialist Michelle Bachelet in 2006. Similar historical events correspond to statistical results in other countries.

Considering this variety of country-level movement, the DQA seems to be responsive to political changes, meaning that the static regional-level trend is just the result of countries moving proportionately in different directions. Consequently, however, while this means the measurements

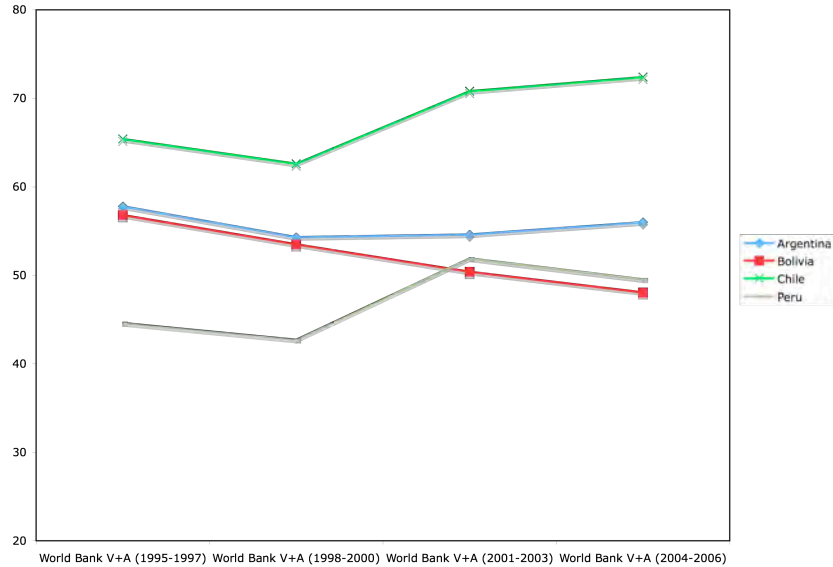
are accurate, it also makes trying to generalize about democratic quality futile because there is far too much variation between countries. This validates Paulo Sotero, who in his article “Democracy in Latin America: Alive But Not Well,” writes, “There is no such thing as Latin American democracy, but rather democracies in different stages of development in a vast and culturally diverse region.”⁸²

Other analysis is equally unsettled. For example, there is no evidence to show democratic polarization in the region; even though countries have witnessed contrasting shifts in democratic quality, most of these have not been cases of continued improvement or degradation. Instead, there are instances of countries improving, then backsliding; countries initially declining, then recovering; alternating shifts for each three-year period; or in the case of many countries, no change whatsoever. These reflect profound shifts in democratic quality on a country-level and mirror political developments in those countries.

Breaking Down the Results by Source

When looking at the breakdown within each measure, the reality is a bit more complex. A good example of this is the World Bank Voice and Accountability (WBVA) index. The WBVA is the most complex of the democracy measures, and the only composite. In terms of trends, it is nearly flat on a regional level and mirrors the DQA. This is somewhat expected because the WBVA incorporates the other two measurements in the DQA, but these are only two among many within the WBVA, so its fidelity remains surprising. Equally strange is that within the WBVA, trends are generally more consistent than in the DQA, as seen in the following graph:

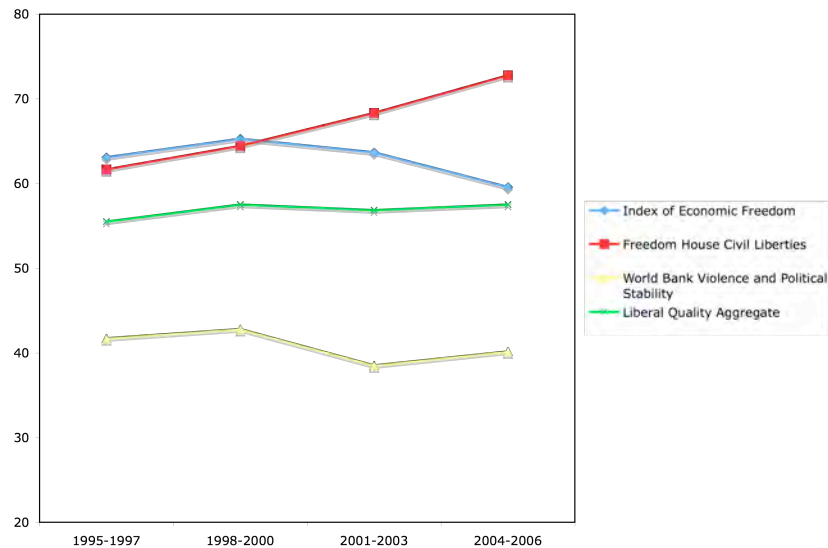
⁸² Paulo Sotero, “Democracy in Latin America: Alive But Not Well,” *Foreign Policy* (January 2005), 26.



Whereas the graph showing DQA scores for individual countries was characterized by dramatic shifts, the WBVA shows consistent trends: positive in Chile, static in Argentina, and declining in Bolivia; only Peru's trends in the Voice and Accountability index closely approximate its composite score. This suggests (as is borne out by comparing other measurements) that there is a great deal of variation between the compositions of countries' DQA, implying very different balances of popular support (Latinobarómetro), formal political rights (Freedom House), and expert-perceived accountability (World Bank Voice and Accountability Index). These trends are covered in greater depth in the country studies, but it is already clear that democracy is complex and its composition varies across the region, rendering any attempt to generalize about democratic quality (and thus its impact on development) unwise. At the same time, however, it does appear that these measures roughly approximate countries' political histories, validating their use.

Trends in Liberal Quality

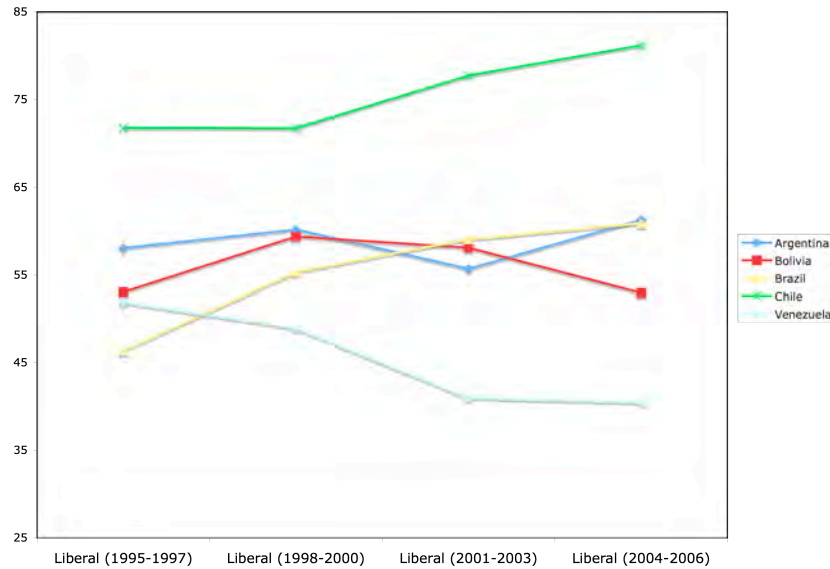
As seen in the following graph, individual measures of liberalism show a bit more movement than those for democracy:



In this graph, a couple clear trends emerge. Regionally, there is an increase in civil liberties, a decline in economic freedom, and no trend in political instability. This section examines these trends to see whether they reflect regional movement or extreme outliers, and if they accurately represent the region's political history.

Breaking Down the Results by Country

As seen in the following graph of the liberal quality aggregate (LQA), the huge shifts characterizing country-levels of democratic quality are absent; while some countries show movement, the majority are static:



This graph depicts trends in the five countries with the largest shifts in liberal quality (all other countries have flat trends). With the exception of Venezuela, Chile, and Brazil, there are no huge changes or definitive trends, suggesting the difference between measurements is more significant than between countries.

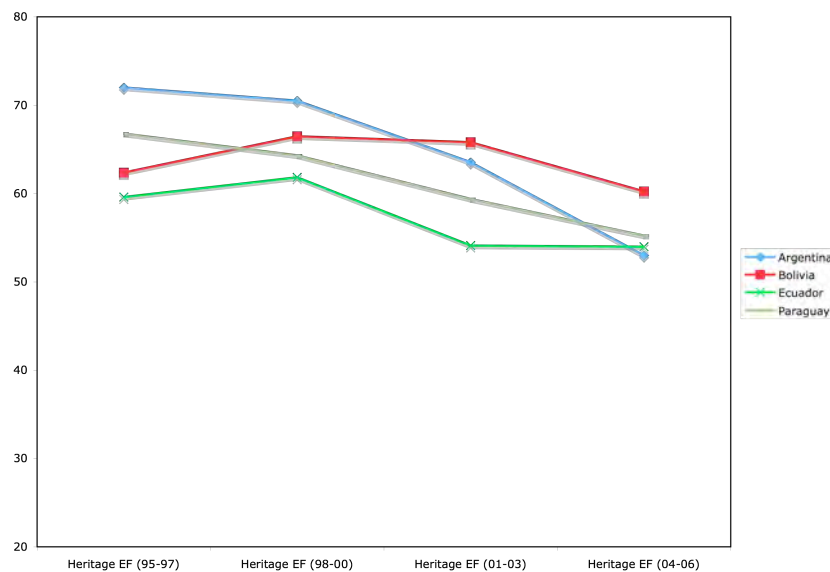
Breaking Down the Results by Measurement

Though it seems clear that contrasting levels of economic freedom, civil liberties, and freedom from violence are responsible for the static LQA, it is not clear whether this is a representative trend. In other words, are shifts in each of these measures the result of a couple exceptional countries that skew the results, or a regional trend?

For civil liberties, there is a general, widespread and indisputably positive trend. Out of ten countries, seven show positive movement, including four showing extremely positive trends (Argentina, Brazil, Chile, and Uruguay). Of the remaining three countries, Paraguay and Peru remain at a constant level (with the exception of Peru's minor dip from 1998-2000). The only country with a consistent downward trend is Venezuela, which as mentioned earlier, is an exceptional case in many respects. Thus, excluding Venezuela, there seems to be overwhelming regional movement in favor

of civil liberties. This is supported by broad qualitative observations, as will be investigated when discussing Chile and Peru in Chapter 5.

The Index of Economic Freedom has an equally defined trend; with the exception of Chile and Brazil, who show notable increases, regional economic freedom peaked in most countries during 1998-2000 and fell below 1995-1997 levels by 2004-2006. This is a bit of an odd trend, considering there is no corresponding movement within the Freedom House survey, but is certainly a consistent trend throughout the region, as seen in the following graph:



There are two tentative explanations as to why this is the case. First, as mentioned earlier, the Index of Economic Freedom has a proven conservative bias, thus, the rise of center-left governments in Latin America might explain the decline in levels of economic freedom. The exceptions of Chile and Brazil challenge this idea. During this period, both countries elected socialist governments during this period, but did not suffer declines in economic freedom, which rules out an arbitrary markdown of leftist regimes by the Heritage Foundation. Furthermore, with the exception of Bolivia and Venezuela, leftist governments concerned themselves with reform, not sweeping nationalizations and economic restrictions. As noted by Francisco Panizza, instead of rejecting the economic policies

of the Washington Consensus (WC),⁸³ centre-left leaders have sought to merge the economic stability brought by the WC's economic policies with social reforms.⁸⁴ The second possibility is a knock on effect from the Argentine and Asian financial crises. This will be investigated in detail when looking at possible regional relationships between democracy and development.

The last measurement, the World Bank Stability and Absence of Violence index, is a little more confused and shows no consistent movement. For example, Argentina has an initial increase of stability, then a decrease during the economic crisis; Bolivia becomes progressively more violent and unstable; Brazil becomes more stable; while others, such as Uruguay and Ecuador, maintain a constant level of stability. Thus, this element is more in line with the democratic measures, in that it shows a mix of discordant trends.

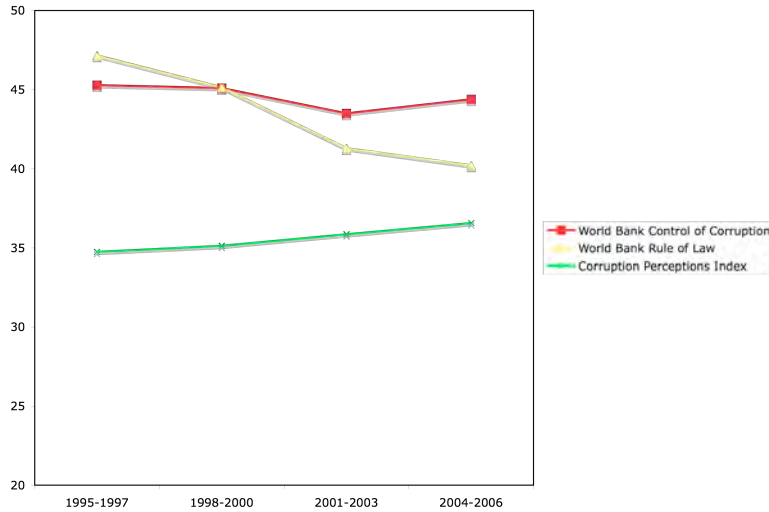
As with the democratic measures, these measures roughly reflect political realities. Unlike in the democracy discussion, there are two general trends: economic freedom peaks from 1998-2000, then declines steadily, and civil liberties consistently increase.

Republican

The last component of polyarchy is republicanism. Out of the three aggregates (DQA, LQA, RQA), the Republican Quality Aggregate shows the most consistent trend from 1995-2006, declining from 42.39 to 40.39. As seen in the following graph, this seems to be entirely due to declining levels of rule of law:

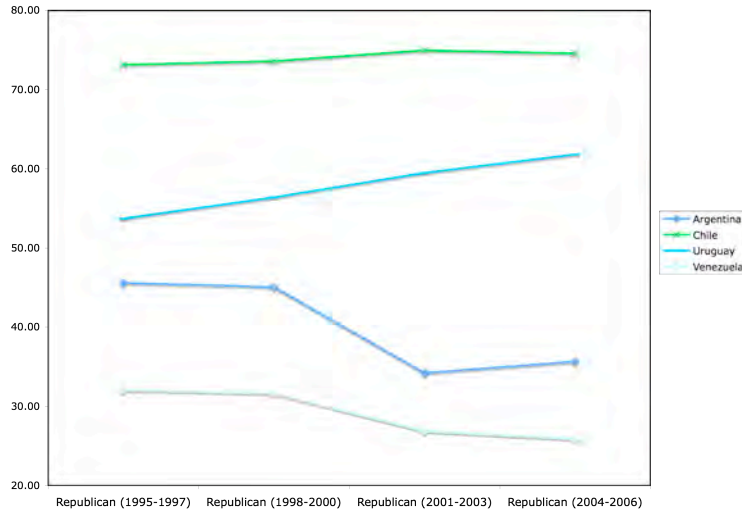
⁸³ The term 'Washington Consensus' is widely debated. Even John Williamson, the originator of the term, has since disowned it, claiming it means something entirely different than he intended. In this paper, it just means the economic policies put forth by Washington institutions like the IMF, World Bank, and US government. These include fiscal discipline, tax reform, liberalizing exchange rates, trade liberalization, FDI liberalization, privatization, deregulation, and property rights. A full explanation is found in: John Williamson, "Did the Washington Consensus Fail?" *Peterson Institute for International Economics*, November 6, 2002.

⁸⁴ Francisco Panizza, "Unarmed Utopia Revisited: The Resurgence of Left-of-Centre Politics in Latin America," *Political Studies*, Vol. 53 (2005); Jorge G. Castaneda, "Latin America's Left Turn," *Foreign Affairs*, Vol. 85, No. 3 (May-June 2006); and Carlos Lozada, "Think Again: Latin America," *Foreign Policy*, No. 135 (March-April 2003).



While rule of law shows a definitive downward trend, the other elements are less clear; the corruption indices are less clear—the CPI shows very gradual upward movement and the World Bank corruption indicator shows no trend, neither of which are particularly significant.

Looking at the movement of individual countries, the RQA is equally murky:



The preceding graph shows the countries with the greatest movement in the region (Uruguay, Argentina, Venezuela), as well as Chile, with the latter representative of the most Latin American countries' lack of variation. From this, it seems apparent that there is no real movement in any

direction, with a couple exceptions moving in divergent directions. This suggests that all countries have the same contrasting trends seen in the graph of the RQA.

Breaking Down the Results by Measurement

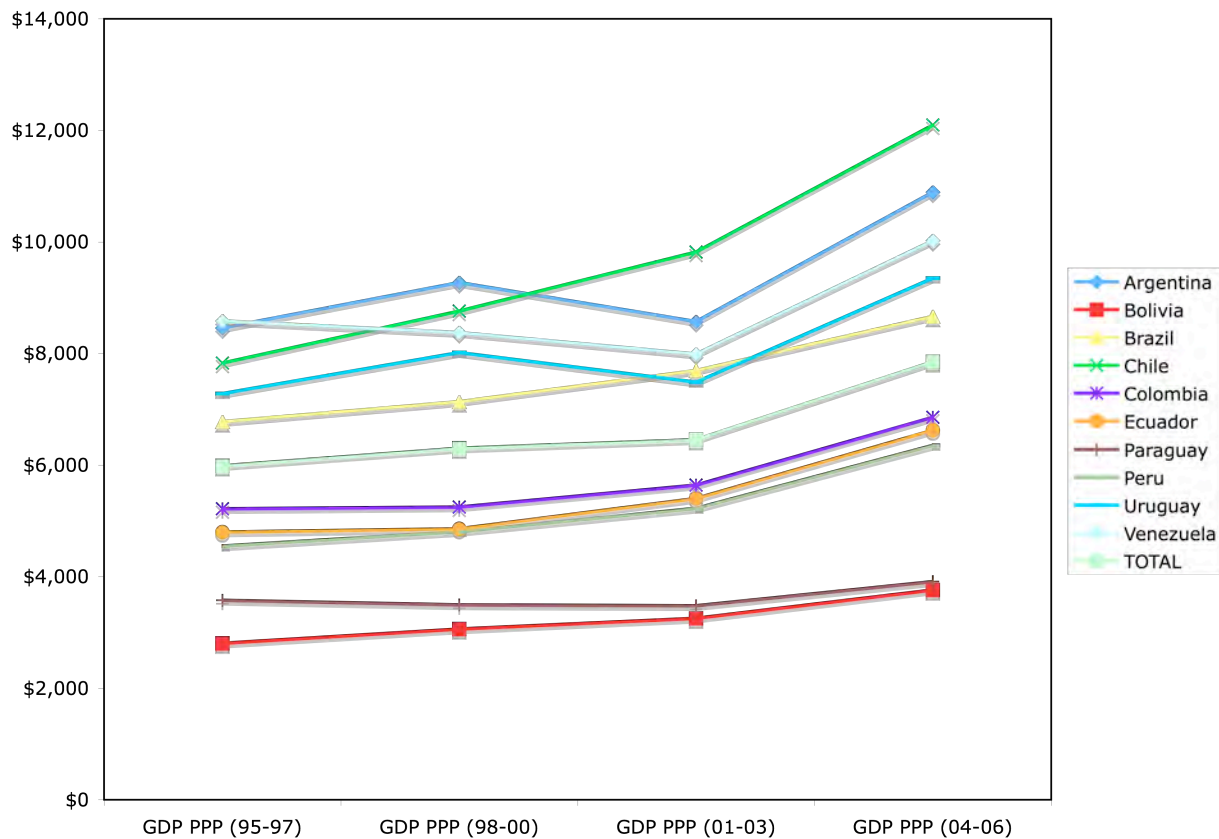
Trends within each measurement are mixed. Levels of corruption, as measured by the World Bank and Transparency International, show no transnational trends, but there is a definitive decline in rule of law in almost all South American countries. For the CPI, two countries show a downward trend, four remain roughly the same, two have an upward trend, with the remaining two showing mixed, but noteworthy, levels of movement. Likewise, for the World Bank Control of Corruption measurement, three show a downward trend, three stay the same, one has an upward trend, and the other three are mixed. While not identical in their findings, the variation between the two surveys is minimal despite differing methodology, suggesting: (1) both corruption indices are relatively good measures of corruption; and (2) corruption moves independently in each country, rendering regional generalizations erroneous.

The constant decline in rule of law is a bit more interesting and unexpected. In contrast to the diverse corruption trends, every South American country ended up with worse rule of law ratings in 2004-2006 than in 1995-1997. In some countries, such as Brazil and Colombia, this was slight; but in Venezuela, Argentina, Bolivia, and Paraguay, rule of law declined more than ten points. While scholars commonly acknowledge that South America has not consolidated the rule of law, these statistics are shocking in that they actually show rule of law decreasing.⁸⁵ Thus, the two corruption measures accurately reflect political realities, but it is questionable whether the World Bank's Rule of Law index is accurate, or reflects a statistical bias.

⁸⁵ Guillermo O'Donnell, "Why the Rule of Law Matters," *Journal of Democracy* 15, No. 4 (October 2004).

Development

In contrast to the ambiguous movements of many of the polyarchic indicators, GDP (PPP) shows clear shifts. The vast majority of countries show increasing levels of growth from 1995-2000, then a decline or slowdown from 2001-2003, followed by a major increase, with all ten countries finishing above their initial GDP (PPP). Predictably, the largest shifts occur in Argentina (the location of the financial crisis) and Uruguay (whose economy is closely linked to Argentina's), but these general trends exist across the region:



As seen in the preceding graph, most countries do show high levels of growth from 2004-2006, but this does not preclude variation. For example, Chile increases at a much faster rate than the regional average through all twelve years, while Venezuela is a clear outlier, declining from 1995-2003 before a huge upturn in 2004-2006. Thus, while there are some general similarities, such as slow growth

from 1995-2000 and a regional economic boom from 2004-2006, there is enough variation to suggest that individual countries are not entirely subject to external economic forces.

Conclusions

So, what does this all mean? To begin, it is clear that polyarchy is not measurable on a regional scale. As seen in the discussions about the DQA, RQA and LQA, national differences are too significant to allow generalizations about South America. In this sense, it is academically dangerous to make blanket claims about polyarchy in South America, such as: “South American countries are becoming freer,” or “South America is becoming more democratic.” The reality is far more complex, since countries are moving in different directions, both in relation to other countries and within each component.

Having said this, however, three indisputable regional polyarchic trends exist: (1) rule of law either declines or remains static in all countries, though this is possibly the effect of a statistical bias; (2) civil liberties increased consistently from 1995-2006; and (3) regional economic freedom peaked in 1998-2000, but declined steadily thereafter. Definitive trends in economic growth are somewhat mixed: countries generally showed steady improvement from 1995-2000; most countries continued growing at a slowed rate from 2001-2003, but there was a significant dip in GDP for some countries, such as Argentina and Uruguay; and this was followed by impressive rates of economic growth across the region from 2004-2006.

It is extraordinarily difficult to make any inferences from these results because the ambiguous nature of most the correlations makes it difficult to comment on how changing levels of polyarchic quality (as divided into the three components) affect development. This difficulty is present even with those indicators showing definitive trends. For example, rule of law and civil liberties have constant trends in opposite directions, but these trends do not correspond to

economic growth, which saw a definitive drop in many countries from 2001-2003. In other words, because rule of law and civil liberties show consistent trends, they are unable to explain the decline and subsequent recovery of economic growth rates. This suggests that rule of law and civil liberties operate independent of economics.

The only trend that shows any possible significance on a regional level is economic freedom, which peaked in 1998-2000, before declining thereafter. This is significant because economic freedom was highest in the period before the Argentine economic crisis, and its subsequent decline coincided with increasing economic growth across the region. Considering the Heritage Index of Economic Freedom's key finding is that economic freedom is the key to growth and prosperity, this is an intriguing correlation.⁸⁶ Nevertheless, the correlation is just that—a correlation. Causation is difficult to ascertain, and two convincing causal arguments exist: First, high levels of economic freedom could have caused the decline, evidenced by their peak right before the crisis; or second, restrictions on economic freedom caused an instant economic backlash, seen in the coinciding decline of economic freedom and GDP. While it is impossible to determine which is correct, on a regional basis it is significant that the most intriguing correlation between polyarchy and development includes the only polyarchic measurement relating specifically to economic policy. This suggests that economic policy operates independent from governance, a point considered in detail when looking at Chile, Peru, and Venezuela.

Summarized, aside from this causally ambiguous relationship between economic freedom and GDP, there are no definitive (or even suggestive) regional trends, reflecting a region that is too diverse to be captured in stock platitudes about South American polyarchic quality. Nevertheless, the preceding research has been useful in two respects. First, it has shown that there is a broad correlation between the quantitative measurements and qualitative realities. While this will be tested

⁸⁶ Heritage Foundation, "Economic Freedom Still Key to Growth and Prosperity, 15th Index of Economic Freedom Shows," *Heritage Foundation News Releases* (January 13, 2009).

in greater detail when looking at individual countries, it appears that the quantitative measures are generally reasonable in approximating polyarchic quality. Second, the preceding analysis proves that South American countries operate within a regional economic and social context characterized by an increasing valuation of civil liberties, a decrease in rule of law, and a shared economic history. There are significant variants on these trends, but overall, they serve as an important backdrop for the case studies in the following chapter.

Chapter 5: Country-Level Analysis

Having looked at the regional relationship between democracy and development, this chapter shifts the focus towards the particulars of individual countries. Specifically, I look at each country's history and quantitative results, determine whether these correspond to any trends in economic growth, and then search for qualitative causal explanations for these relationships. In doing so, my goals are two-fold: (1) to see whether my quantitative measures accurately reflect country histories; and (2) to determine whether changes in polyarchic quality have an effect on economic growth.

Chile

*Background Information and Early History*⁸⁷

Following Pinochet's dictatorship, Chile has shown continuous polyarchic improvement, making it a good case study for determining whether improvements in polyarchic quality affect development.⁸⁸

As with the rest of Latin America, Chile became part of the Spanish Empire following the near eradication of native populations. Ironically, considering its current economic success, Chile was a poor colony attached to the Viceroyalty of Peru until a unilateral independence declaration in 1810. Following a period of intense political instability (30 governments within 12 years), an oligarchy rose to power led by Diego Portales, who centralized power in Santiago (the current

⁸⁷ This brief history, as with those of Peru and Venezuela is based largely on EIU Country Reports and Country Watch Review reports spanning 1996-2008. Full sourcing information is in the bibliography. To keep my discussion as uncontroversial as possible, I focus almost solely on objective political developments, not causal connections or subjective evaluations.

⁸⁸ It is worthwhile to briefly note the country's demographic composition: 76% of the population are mestizos, 20% are of European descent, and 4% are indigenous (mostly concentrated in the south of the country). This relative homogeneity means that racial divides are not a huge political problem.

capital). This oligarchic institutional arrangement survived until after World War II, at which point economic difficulties facilitated the rise of a series of dictators, who were eventually replaced by a democratic presidential system. This system was initially stable, as Christian democrats ruled from 1964-1970, but became imperiled with the 1970 electoral victory of Unidad Popular, a leftist alliance led by Salvador Allende.

Despite winning the 1970 presidential election with only a small plurality of the vote (35%), Allende's government pursued transformational reforms, including nationalization, land expropriation, and collectivization. Regardless of their social necessity, combined with Allende's use of quasi-legal methods to push his legislation these policies increasingly polarized Chilean society, leading to high levels of political instability.⁸⁹ These simmering class and political tensions eventually boiled over with a military coup on September 11, 1973, which resulted in the death of Allende and the rise of General Augusto Pinochet. It is important to note that the public was largely sympathetic towards Pinochet's actions because of widespread social and economic difficulties—economic deterioration, food shortages, strikes, political violence, and rural unrest pervaded Allende's tenure.

After gaining power, Pinochet organized a vicious military campaign to eliminate leftists, which included government directed murders and a complete disregard for human rights. These appalling policies destroyed the left. At the same time, Pinochet banned all political activity, sidelined rightwing parties, and pursued radical economic restructuring. Under his rule, there was a massive economic recovery during the late seventies, but by the early eighties, structural problems led to economic difficulties and political pressure, prompting Pinochet to abandon certain economic liberalization and authoritarian policies. Eventually, this led to a 1988 plebiscite in which Pinochet sought support for another eight-year presidential term, but lost after vigorous campaigning by the Christian democrats (PDC).

⁸⁹ The Economist Intelligence Unit, *Chile 1998-1999* (London: Economist Intelligence Unit, 1998), 4.

By this time, political leaders on both the right and left had become tired of the extreme rhetoric that characterized Pinochet's rule. There was a new appreciation for consensus in Chilean politics, leading both sides to come together and agree on a set of constitutional reforms, which came into force after a 1989 referendum. However, despite the movement towards civilian rule, this new constitution still contained elements protecting the military's special position within Chilean politics, such as a minimum defense budget and military control over promotions. In addition, Pinochet retained his position as commander-in-chief of the armed forces.

1989-2006

The approval of a new constitution marked the beginning of a new era of politics in Chile, as Patricio Aylwin, a PDC member supported by a broad coalition, became the first democratically elected president since Allende. Aylwin's center-left government received broad popular support and his party triumphed again in 1993, when Eduardo Frei Ruiz-Tagle won the presidency with the support of a center-left coalition (Concertación).

During Frei's term (1994-2000), there were repeated attempts to amend leftover elements of Pinochet's 1980 constitution, but the existence of nine senators appointed by Pinochet meant the upper house was able to constrain reform. Attempts to remove appointed senators, increase presidential control over military retirements and promotion were all unsuccessful, illustrating that even though power had officially transferred to civilians, the military still held a privileged role in government. Despite these setbacks, Frei did make some polyarchic progress, including the settlement of indigenous issues and the amelioration of military-civilian tensions. Notable in the latter respect is the 1995 trial of Manuel Contreras, a retired general convicted for a murder he committed under Pinochet, which demonstrated civilian control over the military. Another important event during Frei's term was Pinochet's resignation as command-in-chief of the armed

forces in 1998, after which he was arrested in London and returned to Chilean courts in 2000 to await trial. These specific events symbolize a broad political shift towards higher levels of polyarchic quality and civilian governmental dominance.

In the 2000 elections, Concertación candidate and socialist Ricardo Lagos won 51.3% of the vote in a runoff against a center-right candidate. Despite his political affiliation, he continued the successful liberal economic policies of his predecessors, seen in the enactment of multiple free-trade agreements with the US, South Korea, and EU. Politically, however, corruption scandals in 2002 disrupted Chile's generally positive trajectory and resulted in the temporary revocation of parliamentary rights for five deputies. Responding to these issues, Concertación pushed a series of proposals ensuring greater transparency and ending corruption.

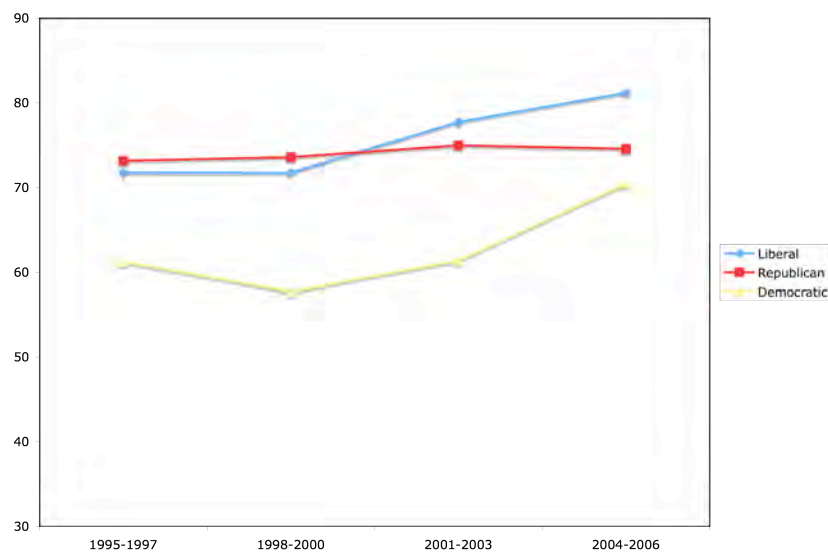
Aside from this emergence of government corruption, Chile's polyarchy generally improved, most notably with 2005 constitutional reforms that finally restored full civilian control of the military; shortened of the presidential term from six years to four; abolished appointed senate seats; reduced presidential power; disempowered the militarily influenced National Security Council; and consolidated civilian control over military promotions. In addition, the Lagos presidency saw the continuation of the Pinochet legal drama, which finished with his death in 2006, before he faced a real trial. Despite this seemingly unfinished business, Lagos did his best to end the Pinochet chapter of Chilean history by authorizing monetary compensation for victims of torture during the dictatorship. In 2005, Michelle Bachelet, a female socialist minister in Lagos's government, won the presidency, marking another step forward for Chile's polyarchy.

This finishes the summary of Chilean politics from 1990-2006, but a couple ongoing trends are worth noting. First, there have been continued attempts at judicial modernization, including the expansion of the Supreme Court, which now incorporates a system of checks and balances similar to those in the United States. Second, successive Concertación administrations have pursued reforms

attempting to depoliticize the civil service. These highlight Chile's continued polyarchic improvement; even problems, such as the 2002 corruption scandals, prompted quick and effective governmental reform.

Quantitative Findings

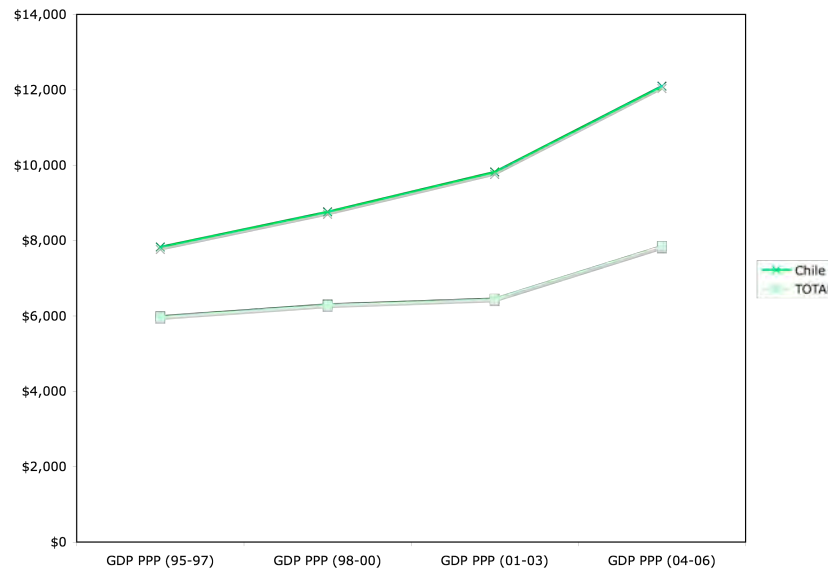
In line with this positive history, Chile shows an increase in all three components of polyarchic quality. The basic trends are evident in the following graph:



As this graph illustrates, from 1995-2006, Chile became increasingly liberal and democratic (aside from a slight drop in democratic quality during 1998-2000), while maintaining its high level of republican quality. Even when these components are broken down, individual measurements mirror these trends almost exactly. With the exception of a couple minor statistical distortions, Chile's polyarchy improved significantly from 1995-2006. However, there are some trends that emerged in the previous discussion, but do not seem to register numerically. For example, the corruption and constitutional reforms passed under Lagos have had no effect on the republican quality aggregate (RQA), even though they take a major step towards improving rule of law and reducing corruption. Likewise, earlier symbolic moves towards restoring the rule of law, such as the conviction of

Contreras in 1995 and Pinochet's loss of immunity in 1998, have no effect on rule of law. This seems to confirm the negative bias shown by the rule of law index, as was discussed during the regional analysis. Nevertheless, these exceptions aside, the quantitative measurements of polyarchic quality broadly reflect political realities.

As seen in the following graph of Chile's GDP (PPP) compared with the regional average, Chile's economy has a linear increase, comparable to the increase in polyarchic quality:



Not only does Chile's GDP increase over this period, but it increases at a higher level than the regional average. This is significant, because this means that Chile improves upon the regional average for both polyarchic quality and development, suggesting a relationship between improved governance and increased economic growth.

The Relationship Between Polyarchy and Growth

While there is a definitive correlation in Chile between increases in polyarchic quality and development, does this have any causal significance? Based on the history recounted above, this is hard to determine because as the EIU points out, in Chile "there is a remarkable degree of consensus over the need to maintain a liberal market economy... differences in economic policy

tend to be a matter of degree rather than substance.”⁹⁰ Chile’s bold economic experiments already took place: under Allende, nationalist policies created chaos; while Pinochet’s neo-liberal policies had huge initial social costs, before eventually setting Chile up for its current levels of economic growth. Furthermore, because of Chile’s consensual political system and Concertación’s electoral dominance, elections do not have the same economic consequences as in other countries. This section looks at whether politics and economics are as separate as they seem, detailing possible causes for Chile’s economic performance from 1995-2006.

In 1995, the start of this study’s chronological focus, Chile had experienced 12 consecutive years of growth at an average of 6.5% per year. The sources of this growth were capital investment and exports, both of which reflected a fundamentally strong economy. In addition, Chile’s high level of domestic savings largely insulated the country from the volatility associated with relying on natural resources or foreign investment for economic growth. Over the previous decade, per capita GDP doubled and poverty levels fell from 44.6% in 1987 to 28.5% in 1994.⁹¹ Thus, even before the institution of democracy, Chile was already outpacing the region and positioned for further economic success.

With the election of Frei in 1994, Chile’s government turned its focus towards eradicating absolute poverty and improving education. To do so, it increased educational spending by 86.1% from 1994 to 2000, and implemented programs increasing access to education, training, healthcare, housing, and infrastructure for Chile’s poorest citizens. For economic policies, Frei continued the liberalization of exchange controls and ended some restrictions on foreign credit inflows. He also privatized the country’s transportation infrastructure, including rail, airports, and ports. Despite these economically conservative policies, Frei managed to reduce poverty to 21.4% in 1998, and cut extreme poverty from 17.4% in 1987 to 5.6% in 1998.

⁹⁰ The Economist Intelligence Unit, *Chile 1996-1997* (London: Economist Intelligence Unit, 1996), 16.

⁹¹ *Ibid.*, 20.

A good analysis of the politics determining Frei's economic policies is found in Kurt Weyland's article, "Economic Policy in Chile's New Democracy."⁹² In the article, Weyland argues that Frei pursued cautious economic policies due to a combination of the following: (1) pressure from business; (2) lessons learned from the failure of populist economic experiments in the region; and (3) previous economic stability that encouraged risk aversion. Since previous economic policies, dating back to Pinochet, brought continued growth and achieved development goals, Weyland argues that Chilean politicians saw no reason to change the country's economic policies.⁹³ Political scientist David Hojman echoes a similar opinion, arguing that Chile is a good example of a virtuous circle in which economic policy positively affects cultural attitudes, which in turn help shape better economic policy. These mutually reinforcing aims are important in achieving economic growth, yet exist largely independent from changes in polyarchic quality.⁹⁴

This reasoning transcended political orientation, as seen in the economic policies of Lagos, who continued liberalizing Chile's economy after his election in 2000 despite his socialist political views. In 2002, free trade agreements with Costa Rica, Guatemala, Honduras and Nicaragua all came into effect, while Chile also signed a comprehensive economic cooperation agreement with the EU. Even the state copper corporation, Codelco, began to privatize some of their non-core businesses. However, in general, external conditions and increasing regulations led to a relative economic slowdown from 1997-2001 (3.2% growth) compared to 1992-1996 (7.3%), but Chile continued to grow due to a tremendous increase in copper prices.

Looking at this economic history and academic analysis, there is little to suggest that improvements in polyarchic quality had any direct effect on economic growth. In Chile, there

⁹² Kurt Weyland, "Economic Policy in Chile's New Democracy," *Journal of Interamerican Studies and World Affairs* 41, No. 3 (Fall 1999): 67-97.

⁹³ Weyland, "Economic Policy," 68.

⁹⁴ David Hojman, "Economic Policy and Latin American Culture: Is a Virtuous Circle possible?" *Journal of Latin American Studies* 31 (1999): 167-190.

appears to be a fundamental disconnect between politics and economics. It is debatable whether this is because Chile's polyarchy matured to such a point that it no longer affected development, politicians had no reason to alter working policies, or the Concertación's electoral dominance meant that economic policies remained static, but regardless of explanation, there are no perceptible causal connections between polyarchic quality and development in Chile from 1995-2006.

Peru

*Background Information and Early History*⁹⁵

The second country examined in this section is Peru, whose lack of polyarchic improvement makes it a useful example. The area now known as Peru was originally conquered by the Inca, then came under Spanish control in 1542 after disease and political infighting crippled the Inca, clearing the way for Francisco Pizarro's successful military campaign. Once in control, Pizarro shifted Peru's capital from Cuzco to Lima, which moved political power from the highlands to the coastal plain west of the Andes. In South America, Peru was the most profitable and powerful source of income for Spain; during the process of colonization, the Spanish instituted manipulative systems called the *encomienda* and *mita*, which required the Inca to pay tribute to their colonizers and robbed them of their lands. Resulting from these systems was an arrangement in which land was unequally divided between large *haciendas* and subsistence-based indigenous communities struggling to survive.

In light of this context, it is easy to see why Peru's independence in 1821 did not bring increased political inclusion. The Lima-based elite ruling the country remained in power through the 1940s and 50s, when only 8% of the population could vote.⁹⁶ During their rule they effectively blocked land reform and industrialization, keeping the economy rural and the culture traditional.

⁹⁵ As with Chile, a brief demographic summary is helpful: the country is 45% indigenous, 37% mestizo, 15% European ancestry, and 3% other. This reflects a very different society, and these divisions are largely mirrored by geography, with the Andean highlands home to the indigenous population, and the coast home to the rest.

⁹⁶ Denise Youngblood, ed. *Peru: 2008 Country Review* (Houston: Countrywatch, 2008), 8.

Two elements of this political development are worth noting: First, during this period there was a strong dictatorial tradition, with the country ruled by a succession of *caudillos*, military strongmen, and other dictators (largely right wing).⁹⁷ Challenging this, however, was the formation of a leftwing party called APRA (American Popular Revolutionary Alliance) in the 1920s, who immediately began to stir up support for land reform and revolution. Though not initially effective, and banned through the 1930s, APRA has played an important political role in Peruvian history.

In the second half of the 20th century, Peru was ruled by a series of ineffective regimes, including the following: a centrist democratic regime led by Fernando Belaúnde Terry (1963-1968); a leftist military dictatorship that pursued disastrous ISI (import-substitution industrialization) economic policies (1968-1975); another military dictatorship, which attempted to rein in the authoritarian excesses of the first (1975-1980); and then the restoration of democratic rule and reelection of Belaúnde in 1980. By the end of Belaúnde's rule in 1985, Peru remained marked by a series of ailments that had proven continuously problematic over the past century: the drug trade, rural terrorism, widespread poverty and profound inequality. Furthermore, the economy was moribund and the country was desperate for a solution, setting the stage for a political newcomer.

This newcomer arrived in the shape of APRA presidential candidate and 36-year old whiz kid Alan García Pérez, whose 1985 election triumph came loaded with high expectations. At first, when his unorthodox economic policies generated high growth rates, these lofty hopes seemed fulfilled, but these initial gains were soon superseded by hyperinflation, poverty, and decaying infrastructure. His attempt to fix these issues by nationalizing the banking system proved disastrous and his government left office with infinitesimal approval ratings. For most Peruvians, Alan Garcia's failure was just another example of how politicians were incapable of fixing Peru's social and economic problems, leading to widespread disenchantment with politics and the party system.

⁹⁷ EIU 2007, 4.

1990-2006

Reflecting this widespread disillusionment, 1990 saw the surprise election of Alberto Fujimori, a Japanese mathematician running without a party. Running on a promise of diligence and transparency, he came into office promising to oppose shock therapy development policies, but after his election, immediately introduced radical stabilization policies to control hyperinflation. He also began to crack down on terrorism by declaring emergency rule in much of the country and sentencing suspected criminals in closed trials. Though widely derided as human rights abuses, these policies proved successful and the capture of Abimael Guzmán in late 1992 spurred the disintegration of *Sendero Luminoso* (The Shining Path), Peru's most violent guerilla organization.

With the support of the military, in 1992 Fujimori declared an *autogolpe* (auto-coup) in which he dissolved Congress and suspended the judiciary, clearing the way for a new constitution that increased centralism and executive power. Despite this blatant disregard for rule of law, Fujimori was hugely popular, with levels of support nearing 80% after the coup.⁹⁸ His taming of guerilla forces, Peru's strong economy, and his social programs (including the construction of schools) helped him gain reelection in 1995, but his support slowly declined over the next five years as Peru's growth slowed and citizens became less willing to tolerate human rights abuses. Other events combined to decrease Fujimori's support, including a prolonged hostage standoff with Marxist guerillas at the Japanese Ambassador's residence and blatant judicial manipulation that allowed Fujimori to run for a third term (he replaced judges who voted against him).

The 2000 campaign and subsequent election were incredibly controversial, tainted by accusations of bribes, media manipulation, and vote tampering. The entire process was so dubious that Fujimori's runoff opponent, Alberto Toledo, withdrew from the election. Without an opponent, Fujimori easily won the election, but shortly after his victory was certified, a video

⁹⁸ Steven Levitsky, "Fujimori and Post-Party Politics in Peru," *Journal of Democracy* 10, No. 3 (1999): 79.

emerged showing Fujimori's close friend and advisor Vladimir Montesinos bribing a legislator. Following this, a host of other allegations emerged and the subsequent political crisis forced Fujimori to step down, prompting new elections. Alberto Toledo ended up winning in a runoff, defeating a rehabilitated Alan García, but not before Peru's polyarchy was further crippled by the uncovering of an additional 2,000 videos depicting Montesinos bribing business, governmental, and judicial elites.⁹⁹

At his inauguration, Toledo made grand promises: economic growth, democracy, and stability; but instead, the first years of his rule were marked by increasing amounts of social unrest and tense government-military relations. Toledo also had trouble maintaining stability within his cabinet, evidenced by his dismissal of three prime ministers and repeated cabinet shuffles. This instability was mirrored by a resurgence of political violence, including a Shining Path bombing outside the American Embassy and an almost-coup that consisted of an indigenous retired army officer seizing a police station and demanding the resignation of Toledo. At the time, the Economist Intelligence Unit went so far as to write, "Public protest and governmental mishandling of crises have been central characteristics of Mr Toledo's presidency."¹⁰⁰ Because of this perceived incompetence, Toledo ended up with an approval rating below ten percent. After barely escaping impeachment following revelations of electoral fraud, Toledo wisely decided not to run in the 2006 elections.

The 2006 elections took place within the following context: first, despite steady economic growth, inequality was rising. Second, corruption continued to play a massive role in Peruvian society (Toledo was convicted of electoral fraud), and issues of decentralization, coca growing, and guerilla violence also factored into Peruvian politics. However, there were also positives, including

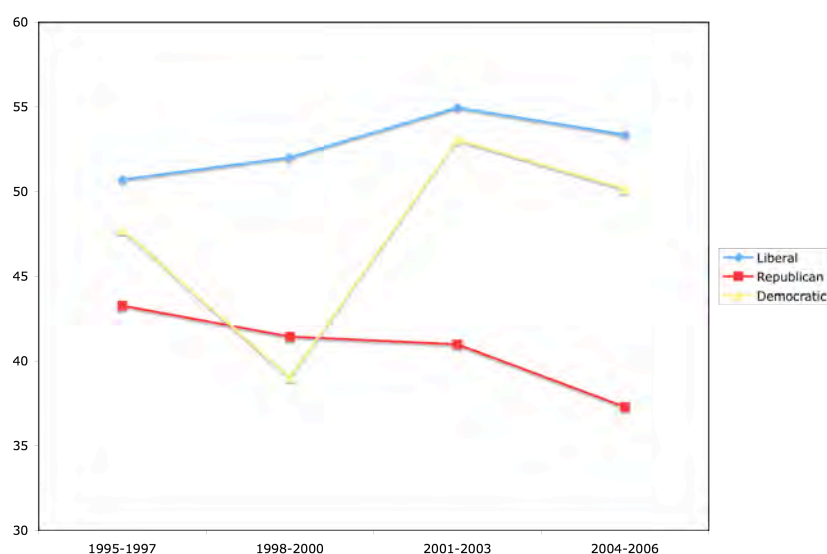
⁹⁹ This truly amazing episode in contemporary Peruvian history is recounted in: John McMillan and Pablo Zoido, "How to Subvert Democracy: Montesinos in Peru," *The Journal of Economic Perspectives* 18, No. 4 (Autumn 2004): 69-92.

¹⁰⁰ The Economist Intelligence Unit, *Peru 2006-2007* (London: Economist Intelligence Unit, 1999), 7.

the detention of Fujimori in Chile, the successful prosecution of Montesinos, and the aforementioned respectable levels of economic growth. Against this backdrop, the 2006 elections saw Alan García continue his revival by defeating retired general and radical populist, Ollanta Humala Tasso, best known for his failed coup against Fujimori in 2000.

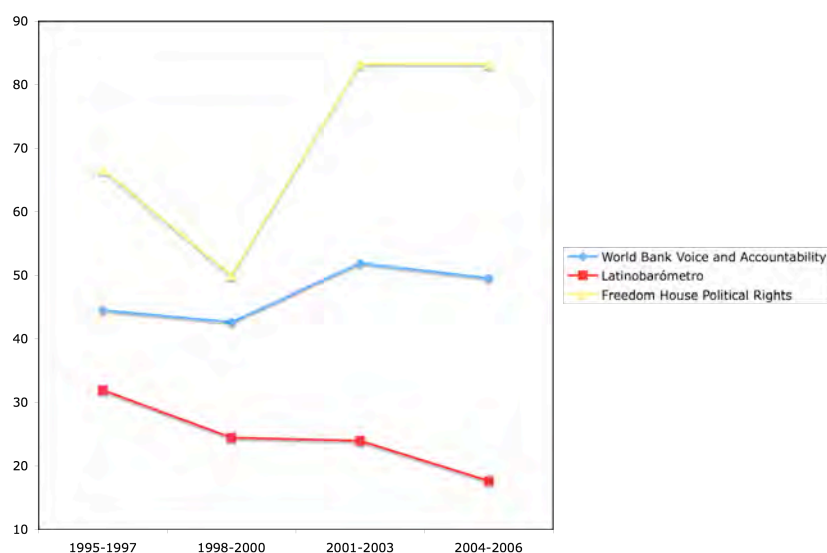
Quantitative Findings

Reflecting this checkered political history, Peru's quantitative results show a uniform decline during Toledo's presidency, but are otherwise chaotic:



Not only are these superficially more complicated than Chile's, but there are an array of contradictions within each aggregate. For example, within the liberal quality aggregate (LQA), economic freedom initially increases from 1995-2003, but then declines during 2004-2006; political stability increases steadily; and civil liberties remain constant except for a brief decline from 2001-2003. In terms of republicanism, Peru becomes increasingly corrupt, but maintains a constant level for rule of law, before declining from 2004-2006 (as with economic freedom). The democratic component is even more convoluted: popular support for democracy constantly declines (as seen in

the Latinobarómetro trend), while Freedom House and the World Bank have irregular trends. This can be seen in the following graph:



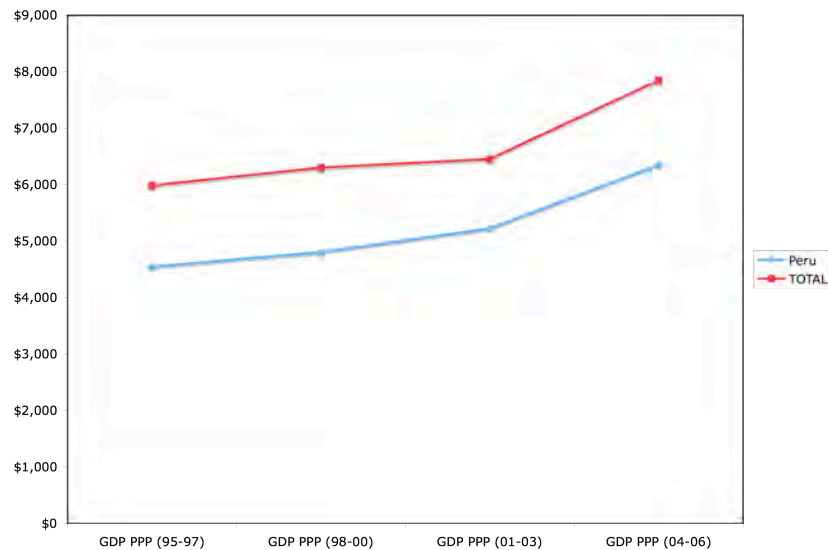
Considering that this graph has a larger scale than most others in this thesis, there is an amazing amount of variation here. All three measures show an initial decline from 1995-1997 to 1998-2000, followed by a period of either improvement or flat-lining, but by 2004-2006, popular support for democracy fell even further. This reflects citizens' ambivalence about the form of the government, as long as it delivered on its promises, an inclination illustrated by mixed reactions to the current trial of Fujimori.¹⁰¹

While chaotic, these measurements are somewhat accurate in reflecting political realities. For example, the CPI (Corruption Perceptions Index) declined precipitously from 1998-2006, as successive controversies revealed the startling extent of corruption within government. Yet, the judicial system was perceived as surprisingly efficacious in handling and exposing these claims, reflected in the stable World Bank Rule of Law measure. However, these only partially reflect actual polyarchic quality. According to these quantitative measures, Toledo's administration was more corrupt than Fujimori and Monstesinos's, which stretches credulity. It is probable that worsening

¹⁰¹ As of early 2009.

corruption ratings are the result of increased corruption exposure, not a real increase in governmental corruption, suggesting that a rise in rule of law can actually lead to a corresponding decline in corruption ratings!

Surprisingly, even with all of this turbulence Peru's economy mirrors Latin American regional trends, as seen in the following graph:



This suggests none of the movement seen in the disaggregated components had an effect on development. However, this conclusion depends on how one interprets Peru's polyarchic quality. If all the components are averaged, Peru shows a static trend in polyarchic quality. Thus, whereas in Chile increasing levels of polyarchic quality correspond to a higher growth rate than the regional average, in Peru, static levels of polyarchic quality correspond to a growth rate matching the regional average.

The Relationship Between Polyarchy and Growth

While the quantitative results show a relatively strong correlation between Peru's polyarchic quality and development from 1995-2006, is there any causal connection? As with Chile, by looking

at Economist Intelligence Unit reports and academic articles, I am going to see whether my quantitative research corresponds to qualitative realities.

Before looking at how things have changed in the country, it is necessary to understand how the economy stood in 1996. To begin, there was the problem of the dual economy: Lima and other coastal areas were connected to the world economy and doing relatively well, but the highlands lacked transport and communication links to the coast, leaving them impoverished. As of 1994, half the country lived in poverty, with almost 20% unable to meet basic nutritional needs. Underemployment and a lack of good jobs plagued the country, with the majority of citizens employed by either subsistence farming or the service sector. With this in mind, it is hardly surprising that the country was largely reliant on natural resources (notably minerals and fishing) for economic growth.

These have all been constant economic problems during Peru's history, and as seen in the preceding political history, politicians have tried a whole range of measures to fix these problems. After the economically disastrous policies of Belaunde and Alan Garcíá, Fujimori introduced a series of drastic reforms to control hyperinflation and resuscitate the economy after his election in 1990. These included the following: (1) unilateral trade liberalization; (2) exchange rate liberalization and the end of restrictions on capital flows; (3) privatization, abolition of subsidies, and other governmental reduction policies; (4) reentrance into the global financial system; and (5) labor reform. Combined, these add up to a drastic economic shift and a complete embrace of the Washington Consensus.

Initially, Fujimori's economic policies seemed nothing short of miraculous, especially considering the inflation rates of over 40% per month that existed when he took office. Peru achieved rapid growth from 1993-1995, combined with price stabilization and a generally strong economic recovery. Fujimori even attempted to address economic inequality with more than \$618

million of government spending on poverty reduction and infrastructure programs in rural areas. On a macro level, Peru's economy showed consistent growth under Fujimori, with consistently high levels from 1993-1997.

From roughly 1997-2000, there were a couple general trends in Peru's economy. First, the volatility of Peru's reliance on natural resource extraction for economic growth was revealed with mineral price fluctuation and disastrous fish yields due to El Niño. Likewise, Russia's debt default and the consequent tightening of international credit markets in 1998 exposed Peru's dependence on foreign investment. In a more pertinent note for this study, economic growth rates took a hit due to foreign investors' caution about political uncertainty. All of these problems were reflected in rising levels of unemployment from 1998-2001. Compounding these issues, Fujimori indulged in populist and reckless fiscal policies, including spending government money on projects with clear electoral benefits.

From the preceding analysis of Peru's economy from 1995-2001, a couple things become clear. First, economic growth responds more to weather patterns and external economic conditions than any polyarchic elements, but since the Peruvian economy is dependent on natural resources and foreign investment for growth, polyarchic changes can affect growth if they result in instability, as seen when political instability following Fujimori's reelection and subsequent resignation caused a slowdown in foreign investment. However, neither the increase in political instability nor drop in economic growth is immediately apparent in the statistical results. There are dips in DQA and RQA, but the World Bank political instability index does not show any significant movement. Likewise, the decline in foreign investment does not even appear to affect GDP because increased mineral exports compensated for any loss. This analysis suggests that during Fujimori's reign as president, varying levels of polyarchic quality had some effect on development, but that this was minor compared to other factors.

A disconnect between politics and economics is more evident during Toledo's presidency: despite plunging polyarchic quality ratings, the country witnessed an increase in economic growth. Starting in 2001, Peru benefited from a series of economically advantageous events, including the creation of the Andean Trade Promotion and Drug Eradication Act that gave Peru preferential access to textile markets; the opening of an enormous copper-zinc mine; high commodity prices; and increased domestic demand. These factors boosted economic growth rates, with all sectors (except fishing) showing growth, and the economy as a whole experiencing low inflation rates.

Nevertheless, despite this relative disconnect between polyarchy and economics during Toledo's presidency, overall, Peru shows a more significant causal relationship between polyarchic quality and growth than Chile. This is because of Peru's reliance on foreign investment for economic growth, which meant that changes in polyarchic quality (especially concerning governmental stability) had an effect on development. However, to keep this connection in perspective, it only concerns a very narrow aspect of polyarchic quality (stability), and says little about how other elements of polyarchy impact development. Thus, as seen in the preceding analysis, non-polyarchic factors, such as natural resource development and external commodity prices, are more important in determining economic success than changes in polyarchic quality; governance is a minor determinant compared to internal and external economic factors.

Venezuela

Background Information and Early History

Over the past decade, Venezuela has emerged as the most controversial Latin American country. Generally, the debate centers on whether Hugo Chavez is a populist hero whose efforts to eradicate poverty and restore Venezuelan greatness are admirable, or an impulsive and corrupt dictator who is only popular because of oil wealth. While this paper has no clear answers, almost all

the quantitative indicators suggest Venezuela has suffered a decline in both polyarchic quality and economic growth. This section will question why, while highlighting some of the issues that make Venezuela a particularly problematic case study. Before discussing these issues, however, it is necessary to summarize Venezuela's history to provide a context for recent political developments.

In contrast to Chile and Peru, which are predominately Andean countries, Venezuela has closer ties to the Caribbean. First discovered by Columbus in 1498, Venezuela remained a relative backwater in the Spanish empire because it lacked the natural resources of other territories, an ironic fact in light of its contemporary oil wealth. By the late 18th century, Venezuela became more important due to cocoa exports, but also grew restless, prompting Simon Bolivar's successful fight for independence. Following independence, most of the 19th and early 20th centuries were marked by political turbulence, *caudillos*, and military rule. This chaos lasted until the institutionalization of democracy.

Starting in 1958, Venezuela was ruled by a limited democratic system in which the government was controlled by two parties: Acción Democrática (AD) and Comité de Organización Política Electoral Independiente (COPEI), who negotiated a pact ensuring administrative positions were shared between the parties and independent social organization was restricted. This system was heavily reliant on patronage and had little public participation, making it a perfect example of a rentier state.¹⁰² Despite surviving for thirty years, Venezuela's quasi-democracy was dependent on high oil prices that could buy political support, so when the wealth ran out and Carlos Andrés Pérez was forced to implement austerity policies in 1988, riots erupted causing hundreds of deaths.

¹⁰² This is because citizens were effectively bought off by oil-sponsored welfare programs that obviated the need for further political inclusion.

1990-2006

Shortly after, in 1992, the existing two-party system of uncontested democracy came under assault with two failed coups, including one spearheaded by Hugo Chavez, whose actions received substantial levels of popular support and transformed him into a folk hero. Adding to Venezuela's political instability, the Venezuelan Congress impeached Pérez in 1993, opening the door for Rafael Caldera, who became the first president elected since 1958 who was not an AD or COPEI member. Upon taking office, Caldera was confronted with a financial crisis in 1994, which prompted him to restrict civil liberties and liberalize the economy (a perfect example of how civil and economic liberties can move in opposite directions). These policies solidified anti-systemic beliefs among the majority of citizens and helped Chavez get elected in 1998 after he pledged to make a clean break from the previous political system.

From his first day in office, when he proclaimed that there would be a referendum on the creation of a constituent assembly (ANC) to rewrite the constitution, Chavez's rule has been nothing if not dramatic. During its convention, the ANC gave itself the power to fire judges and reorganize the judicial system, leading to the appointment of Chavez supporters in important positions. In addition, it assumed all legislative responsibilities. Nevertheless, despite these constitutional abuses, 70% of Venezuelans voiced their support for the new constitution in a referendum, and in the subsequent election mandated by the constitution, Chavez received an astounding 60% of the vote.¹⁰³ Despite these high levels of popular support, there were some alarming articles in the constitution, such as a call for the military to actively participate in politics, the institutionalization of referenda, the presidential ability to dissolve Congress during a crisis, and the expansion of presidential terms.¹⁰⁴

¹⁰³ Despite this huge increase in popular support, it is important to note that abstention rates had been increasing, and 43.5% of citizens abstained in the 2000 election, as opposed to only 18.1% of citizens in 1988.

¹⁰⁴ Denise Youngblood, ed. *Venezuela: 2008 Country Review* (Houston: Countrywatch, 2008), 11.

After an extended honeymoon, Chavez began losing support due to a series of mishaps, including human rights violations during a natural disaster, government interference in union affairs, and the continued politicization of the military. This led the middle class to become disillusioned with Chavez's radical rhetoric, failure to ensure security, stimulate the economy, or halt corruption. Even some of his allies during the 1992 coup attempt began to speak out. In addition to these failures, Chavez's initial years in power included a whole host of other controversial measures, such as a National Education Project that aimed to militarize education, a law allowing Chavez to legislate by decree for certain issue areas (including economics, crime, and "the organization of the state"), and illegal detentions.¹⁰⁵

This simmering discontent boiled over in April of 2002, when a military coup removed Chavez from office for two days, at which point a counter-coup, bolstered by mass protests, restored Chavez as president. After the failed coup, the opposition continued to scheme against Chavez and gathered 2.5 million signatures to force a recall vote, but Chavez won the vote, which was externally certified as free and fair. After another series of electoral defeats, the opposition boycotted the 2005 elections, citing a lack of confidence in the electoral authority, but this strategy proved disastrous. Equally disastrous were the efforts of the opposition during the 2006 election, during which increased oil prices and increased public spending helped Chavez gain an enormous electoral victory (63%). Following this victory, Chavez signaled his intention to push Venezuela towards "21st-century socialism," indicating further radical reforms.¹⁰⁶

This history is problematic in evaluating polyarchic quality. Chavez has repeatedly abused civil liberties and the rule of law, yet his rhetoric claims an unwavering dedication to these issues. He pursues blatantly undemocratic policies, reshuffles his cabinet on television, and antagonizes

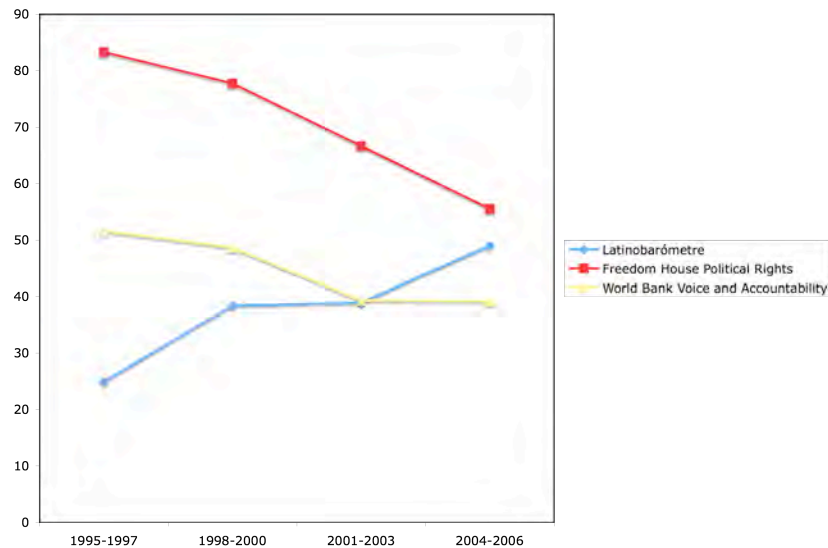
¹⁰⁵ Countrywatch Venezuela, 15.

¹⁰⁶ The Economist Intelligence Unit, *Venezuela 2007-2008* (London: Economist Intelligence Unit, 2007), 9.

supporters and opponents, yet still commands astounding levels of popular support. The following sections discuss what can be made of these contradictions.

Quantitative Findings

Quantitative findings show none of the ambiguity permeating Venezuela's history and clearly support a negative interpretation of recent Venezuelan polyarchy. All three components decline, with a precipitous drop in liberalness from 1995-2006, and in all three components from 1998-2003. In terms of individual measures, with the exception of random three-year periods, there is a steady decline in almost all measures of polyarchic quality. The one notable exception is the one mentioned earlier—the Latinobarómetro poll measuring popular support for democracy. Revisiting this issue for a bit, here is the graph of individual measures of democracy:



As this graph shows, despite a huge decline in political rights and a gradual receding of voice and accountability, support for democracy grows steadily. There are a couple interesting points to be made about this perplexing trend. First, it is possible to make the argument that increasing support for democracy does not translate to support for democracy as it exists in that country. In other words, Venezuelans might voice higher support for democracy because they see their own

democracy disintegrating. Surprisingly, there might be a bit of truth to this: looking at the regional graph of DQA components in Chapter 4, it seems that decreases in the World Bank Voice and Accountability index correlate to inverse (and exaggerated) shifts in support for democracy. In other words, regionally, where the World Bank sees a better democracy, citizens become less satisfied with the system and vice versa. Nevertheless, this seems suspect because the majority of Venezuelan citizens continually voice strong support for Chavez, as seen in his commanding victory in the 2004 recall vote; if Venezuelan citizens increasingly support democracy, it follows that the high levels of support for both Chavez and democracy mean the two are inextricably linked in Venezuelan. Thus, it makes more sense to interpret rising support for democracy as a legitimate expression of public support for both the Chavez experiment and his conception of democracy.

Nevertheless, this still leaves the question of whether his conception of democracy¹⁰⁷ is really democracy as theoretically conceived in this paper. To answer this question, it is necessary to confront a question alluded to earlier—is it possible for citizens to voice increasing amounts of support for democracy (as they see it in their country), even while that country is considered less democratic? At the heart of this issue are two problems: (1) are political rights a crucial component of democracy; and (2) what constitutes a legitimate preference?

In this paper, the first is the easier to answer. According to the definition I set forth in Chapter 2, political rights are only a crucial component of democracy insofar as there is a minority suppressing the rights of a majority. In other words, only if the majority is prevented from expressing their political preference are political rights important. Otherwise, majority rule is just that, and includes no provision for equal access to political power or due process. Admittedly, it is practically difficult to determine at which point governmental actions on behalf of the majority

¹⁰⁷ It is important to keep straight the terminology here. In this section, I assume that Chavez's idea of democracy bears no relation to polyarchy, and focus specifically on whether it corresponds to the idea of democracy laid out in the previous sections.

prevent a majority of citizens in the entire polity from expressing their political views, but theoretically, political rights are not as intrinsic to the democratic component as popular support.

This conundrum hints at the difficulty of the second point: what constitutes a legitimate preference? Is there a point that a majority is no longer a “democratic” majority? For example, in North Korea, most citizens support the government but nothing exists outside the state, raising the question of whether citizen support reflects a legitimate expression of preference. If the state controls all sources of information and all levers of power, is support for that government genuine? In Venezuela, this is a particularly salient question. Considering that Hugo Chavez broadcasts hours of propaganda each week and restricts media freedom (seen in his refusal to renew the license of RCTV), does it make sense to claim that his electoral success reflects majority support? Likewise, how legitimate is public support for democracy when it is associated with a government whose real actions are often masked from public view? While unanswerable in this paper, these questions once again highlight the complexity of democracy and the need to come up with definitions and measurements that reflect this problematic relationship between polyarchic components.

The Relationship Between Polyarchy and Growth

At the same time almost all facets of Venezuelan polyarchy declined, the economy went through a similar downturn. This continues a trend seen in Chile and Peru, where general levels of polyarchic quality correspond to economic performance. Empirically, from 1995-2006, Chile had increasing levels of polyarchic quality and outperformed South American economies; Peru saw little polyarchic improvement and mirrored regional growth trends; and Venezuela’s polyarchy deteriorated, as did its economy. These connections work on a superficial level, but as seen earlier in this chapter, existing causal connections are hardly determinant. This section looks at whether

Venezuela is an exception to this trend and whether there is any demonstrable connection between polyarchic degradation and economic difficulties.

Traditionally, Venezuela has been seen as a positive aberration in Latin America. Through the 1980s, there was little research on the country because as Angelo Rivero Santos writes, “Nothing ever happens in Venezuela.”¹⁰⁸ This all changed with increasing civil unrest through the 1990s and the eventual election of Chavez. These days, Venezuela remains exceptional only for its declining levels of polyarchic quality. The constant through all this exceptionalism has been oil, which allowed Venezuela to maintain political stability for decades while other Latin American countries watched dictatorships come and go, but now subsidizes Chavez’s economic and political experiments.

As with Chile and Peru, a brief economic history is necessary to understand the relationship between polyarchy and economic growth. By the end of the Caldera presidency, Venezuela was struggling economically. The country remained heavily dependent on oil, which made up 25-30% of Venezuela’s GDP and 80% of export earnings, but held even larger economic importance due to its multiplier effect on domestic consumption and reinvestment. Over the past decades, the economic prominence of oil had trapped Venezuela in boom-bust growth: during the oil boom of the 1970s, there was a huge increase in industrial investment, but this mostly went into ineffective state run companies. In the 1980s, low oil prices and bad macroeconomic policy conspired to create a balance of payments deficit, which prevented development due to capital flight and the closure of international capital markets, forcing Perez to introduce a neoliberal stabilization plan in 1989 with the help of the IMF and World Bank. After running into further economic problems in 1994, Perez was forced to implement another set of economic reforms, including a mix of spending cuts and tax increases. This was followed a year later by yet another recovery plan under Caldera, which included an increase in domestic gas prices, and the removal of exchange, interest rate and price controls.

¹⁰⁸ Angelo Rivero Santos, “No Longer “Exceptional”: Hugo Chávez and Venezuela’s Democratic Development” *Latin American Perspectives* 32, No. 6 (November 2005): 93.

These policies proved politically disastrous because economic liberalization increased instability and inequality, causing massive economic and social dislocation.¹⁰⁹ Due to popular protests against these economic policies, Chavez perceived his election in 1998 as a mandate to end the reforms and immediately stopped the privatization of aluminum, electricity, and telecom companies, while implementing tariffs on imports and subsidized targeted industries. These heterodox economic policies (in contrast to the orthodox economic policies of the Washington Consensus) were extended and codified in the 1999 constitution, which included laws undermining the independence of the central bank; giving government the ability to expropriate land for public utility; increasing tax opportunities; establishing a right to work; decreasing the working week from 48 to 44 hours; and codifying agricultural subsidies. Reaction from the international community was fast and fierce, with the resultant political and economic upheaval ending the investment growth that had been seen under Perez and Caldera. In just one year, foreign investment contracted by 75%.

Chavez continued antagonizing business interests after the constitution was approved, leading to further economic problems. Due to political instability and the deterioration of property rights, investment continued to fall and Venezuela witnessed enormous capital flight (\$15 billion during 2000-2002).¹¹⁰ Other problems included a massive strike by oil workers, high levels of inflation (reaching 25%), and the continued employment of over half the population in the informal sector. Furthermore, Chavez ran into international problems. His nationalist subsidies and protective tariffs aroused the ire of CAN (The Andean Community) and the WTO, while at the same time his attempts to increase oil quotas met resistance from OPEC leaders. However, instead of retreating in the face of internal and external pressure, Chavez introduced a fixed exchange rate and price controls to counter volatility, while continuing his radical land reform program. The effect of these

¹⁰⁹ Jonathan Di John, "Economic Liberalization, Political Instability, and State Capacity in Venezuela," *International Political Science Review* 26, No. 1 (2005): 107.

¹¹⁰ Ronald Sylvia and Constantine Danopoulos, "The Chávez Phenomenon: Political Change in Venezuela," *Third World Quarterly* 24, No. 1 (February 2003): 74.

policies is reflected in Venezuela's abysmal economic performance from 1998-2003; only the tremendous (and unexpected) increase in oil prices saved the economy from collapsing entirely, and actually led to a significant amount of growth from 2004-2006.¹¹¹

Though absent in Chile and only somewhat present in Peru, there is a definite causal relationship between politics and economics in Venezuela. Chavez implemented a wide range of radical economic policies that had a detrimental effect on economic growth, scaring away foreign investment and encouraging capital flight. However, it is unclear whether a causal relationship between politics and economic growth is the same thing as a causal relationship between changing levels of polyarchic quality and economic growth. In the case of Venezuela, some reforms like agricultural subsidies and exchange rate reforms are strictly economic, and thus independent from polyarchic quality. Other reforms, such as the appropriation of public property and judicial reform *did* damage polyarchic quality, while also inhibiting economic growth. Thus, Venezuela is a mixed example: there are certainly some causal connections between polyarchy and economic performance, but purely economic policies also play a huge role in determining growth rates.

A Couple Notes

The following analysis requires a bit of unpacking. Specifically, what is the significance of the correlation between polyarchic quality and economic growth in Chile, Peru and Venezuela? There are four possible explanations (1) polyarchic quality has a positive effect on economic growth; (2) economic growth has a positive effect on polyarchic quality; (3) this is purely a statistical coincidence; and (4) it varies from country-to-country. This section examines which of these is accurate.

¹¹¹ The unexpectedness of rising oil prices is exemplified by Sylvia and Danopoulos, who write, "Unfortunately, little short of sustained war in the Middle East could achieve the hoped-for \$35 per barrel." Little did they know that oil would soon exceed \$100 per barrel! This is from: Sylvia and Danopoulos, "The Chávez Phenomenon," 74.

From the preceding analysis, it appears the first two explanations are invalid and there are no definite causal relationships in either direction. There are two reasons why: First, there are no causal explanations that work in all three countries. In Chile, there was no causal relationship whatsoever, while in the other two countries, there was a relationship, but it was complex and indeterminate. Likewise, there are just too many aberrations for the correlation to necessarily equal causation. For example: Peru's economy expanded under Toledo, but its polyarchic quality declined significantly along all three axes; suggesting a complete disconnect between the two. The second reason why there is no definitive correlation between trends in polyarchic growth and development is that the correlation does not hold for other countries in the region. While it exists in Chile, Peru, and Venezuela; these countries are exceptions within Latin America.

In light of this exceptionalism, does this mean the correlation is just a coincidence? From the preceding case studies, this claim seems to be overly simplistic. In both Peru and Venezuela, there are definite causal connections between changes in polyarchic quality and economic difficulties, though as seen in Peru, these may not appear in the quantitative results. Thus, while there is no obvious correlation in the rest of South America, this does not mean there is no causal relationship between the two, suggesting that the fourth explanation is the most accurate: the relationship between polyarchic quality and economic development is country-specific.

Following this line of thought, another interesting trend emerges from these three case studies: only declines in polyarchic quality seem to have an effect on economic development. As the focus moved from Chile to Peru to Venezuela, not only did polyarchic quality take a turn for the worse, but also, clear causal connections between polyarchy and economic growth emerged. There is a good explanation for this—the causal mechanism linking polyarchy and economic growth in Peru and Venezuela is foreign investment and capital, and it seems reasonable to assume that decreases in polyarchic quality would have a larger effect on foreign investment than continued polyarchic

consolidation. In other words, foreign investors will doubtlessly respond to instability by pulling their money out of a country, but there is no guarantee that improving levels of polyarchy (especially in a country with a high level of polyarchy to begin with) will make a country proportionately more attractive for foreign investors.

Despite these connections, the biggest influence on economic growth remains policy, not polyarchy; the economic policies governments pursue have a larger effect on growth than any change in democratic, republican, or liberal quality. This trend exists in all three countries: Chile was able to maintain impressive economic growth rates because of their intelligent and consistent economic policies; Peru's economy also responded more to economic policy than polyarchic quality, evidenced by Fujimori's presidency; and most of Venezuela's economic troubles can be traced to Chavez's antagonistic approach towards business, not polyarchic degradation.

Country-Level Conclusions

The preceding discussion of polyarchy and development in Chile, Peru, and Venezuela has been extraordinarily fruitful, leading to the following conclusions:

(1) There is a definitive correlation between general polyarchic quality and economic growth in Chile, Peru, and Venezuela. Where polyarchic quality increases (Chile), so too does economic growth; where polyarchic quality decreases (Venezuela), so too does economic growth; and where polyarchic quality shows no definitive trend (Peru), economic growth matches the regional average.

(2) This relationship only applies to polyarchy as defined in an extremely broad sense (as the average of the three components); there is no determinant relationship between the LQA, RQA, or DQA and development.

(3) There is no consistent relationship between individual measures and economic growth.

(4) The qualitative causal connections for the aforementioned quantitative correlations are often murky, but the causal mechanism seems clear: decreasing polyarchic quality makes investors wary, leading to a decline in foreign investment.

(5) Thus, it makes sense that the strongest causal relationships between polyarchic quality and economic growth exist in Peru and Venezuela, where foreign investment has a larger effect on the economy than in Chile.

(6) This relationship forms only part of the picture. The most important influence on economic growth is economic policy (conditioned by both internal and external constraints). Policies like exchange rate liberalization, fiscal responsibility, and the reduction of foreign investment controls have a larger effect on development than polyarchic quality.

Chapter 6: Conclusions

This thorough and painstaking examination of the effect of changing levels of polyarchic quality on development in South America from 1995-2006 found no determinate relationship between the two, but in trying to answer this question, some valuable insights emerged. This chapter summarizes my research findings, looks at possibilities for further research, and then concludes with general thoughts on the process.

Research Findings

The results of my work are as follows:

(1) As it is commonly used, the term ‘democracy’ refers to a political system incorporating distinct and often conflicting political ideas. These include liberalism (freedom), republicanism (institutional checks and the supremacy of law), and of course, democracy (government by the people).

(2) To measure such a complex concept in a meaningful way, it is necessary to disaggregate polyarchy (the term I use for democracy) into these three traditions. As demonstrated repeatedly throughout this essay, this allows for a more accurate quantitative reflection of qualitative realities than previous approaches.

(3) After measuring each component on a unique linear scale, it becomes clear that all South American countries have had very different experiences with polyarchy, making it impossible to generalize about South American polyarchic quality.

(4) Nevertheless, some regional trends do emerge, including declining levels of economic freedom, rising levels of civil liberties, and a decline in rule of law. On a regional level, these trends have no definitive causal effect on development.

(5) The case studies of Chile, Peru and Venezuela are more revealing. While no specific components of polyarchy influence development, general trends directly correspond to trends in economic growth in all three countries.

(6) A solid causal connection exists for these connections. Specifically, in Peru and Venezuela, increased levels of instability led to lower levels of foreign investment and higher levels of capital flight, both of which negatively influenced growth.

(6) Despite this positive correlation, after looking at the qualitative causes for these shifts in economic growth, changes in polyarchic quality are only one cause among many; economic policies and external economic conditions have a larger effect.

Possible Avenues for Further Research

In this essay, I have attempted to approach the relationship between polyarchic quality and development from a new angle, but my work is admittedly incomplete. It serves as a base for four possible avenues of further research:

First, it is possible to expand this paper's focus. In examining the relationship between democracy and development, this essay covers a very limited period and region. Future studies could follow the broad methodology put forth in this paper, but examine the effects of a disaggregated version of democracy on development over a longer period, or examine the connection in other countries and regions. It would be particularly interesting to see if Gerring et al. are right in their conclusion that democratic quality only effects development over the long-term.

Second, it would be worthwhile to undertake a study using an even more complex definition of democracy. This essay thoroughly disaggregates democracy, but there are multiple works arguing for a more nuanced definition and system of measurement. Two notable examples of this are citizen audits and local government studies. The first of these (the citizen audit) is proposed in Guillermo O'Donnell's, *The Quality of Democracy: Theory and Applications*.¹¹² Operating on the assumption that citizens are best positioned to analyze their own democracy, citizen audits use a collection of focus groups and surveys to get a fuller picture of how citizens understand their government. This is a more comprehensive and detailed way of measuring democracy, but remains difficult to translate into numbers. Another fruitful area of analysis is the power balance between local and federal governments. Leaders in Lima, Valparaiso and Caracas have all made a concerted effort to devolve power and funding to sub-national entities, allowing for greater accountability and citizen control. The most famous South American example of this is the participatory budget in Porto Alegre, Brazil, where citizens are able to directly shape local spending priorities.¹¹³ The incorporation of a decentralization component would be a valuable addition in measuring polyarchy.

Third, this paper neglects the complexity of development. While this has been for practical reasons, a more complex definition of development could have huge consequences for quantitative results. A measure like the HDI is probably inadequate because of its incomparability over short time periods, but a more complete measure could include things such as levels of inequality, poverty, and unemployment. GDP (PPP) is fairly reliable for measuring economic growth, but is as unreflective of developmental realities as Polity and Freedom House are of democracy.

Fourth, a more complex historical approach could prove revelatory. In its qualitative case studies, this thesis uses a Rankean approach, seen in its exclusive focus on political events and elite

¹¹² Guillermo O'Donnell, et al. eds., *The Quality of Democracy: Theory and Applications* (Notre Dame: University of Notre Dame Press, 2004).

¹¹³ Marion Gret and Yves Sintomer, trans. Stephen Wright, *The Porto Alegre Experiment: Learning Lessons for Better Democracy* (New York: Palgrave Macmillan, 2005).

interactions. By looking at issues such as class, culture, and geography, it might be possible to get an insight into societal and political changes that are neglected in a purely political account. For example, Pinochet's dictatorship undoubtedly had a profound cultural and material effect on most Chilean citizens, suggesting that Chile's increase in economic growth might be the reflection of the deep cultural change caused by Pinochet's transformation of Chilean society, not modern improvements in polyarchic quality. Similarly, the incorporation of diverse historical perspectives might lead to an improved understanding of polyarchic quality that incorporates civil society, social capital, and other elements that are harder to define quantitatively.

Thus, while I am confident that this paper has made a valuable contribution to understanding the relationship between polyarchy and development, there is certainly room for improvement.

Conclusions

It is this recognition of inadequacy that has made this writing this paper an incredibly frustrating experience. Whether putting forth a theoretical framework to define democracy (as it is commonly understood), or trying to find numerical indicators that correspond to political realities, each step forward required new caveats and sowed new doubts. Even after constructing a sound methodological framework, many of the trends that emerged from my quantitative research turned out to misrepresent political realities (i.e.-the regional decline in rule of law and the apparent correlation between democracy and development in my case studies). All of this raises the question of whether it is worthwhile to use quantitative measures to analyze qualitative relationships, or as

concisely phrased by Przeworski in an article of the same name: “is the science of comparative politics possible?”¹¹⁴

Ironically, this is the easiest question I have asked in this entire paper—in light of this paper’s analysis, it is abundantly clear that a science of comparative politics (or at least democratization) is impossible. There are three irresolvable issues: (1) determining what to measure; (2) coming up with accurate and reflective measures; and (3) explaining causal relationship. In this essay, I have grappled with all of these problems. To begin, defining democracy proved to be incredibly problematic, since ‘democracy,’ as commonly used, entails a multiplicity of meanings. A tripartite definition is a solid step forward, but still neglects elements such as centralism and civil society. Finding accurate and reflective measures was equally difficult; not only is it debatable whether quantifying qualitative realities is an intelligible project, but there is a dearth of usable data. The World Bank indices are a step forward, but as seen in the downward trend of the World Bank Rule of Law index and other statistical aberrations, these new measures are far from flawless. Finally, causal relationships proved even harder to deal with. In the few instances where a statistical correlation existed, causal links were often imperceptible.

Yet, despite the seemingly futile nature of this research, it has value. The discussion of defining and measuring polyarchy shed light on the complex relationship between polyarchic components; the quantitative results helped structure some of the qualitative research; and statistics helped some trends emerged that may have otherwise remained obscured, such as the often contradictory relationship between civil liberties and economic freedom. Likewise, the correlations were not entirely irrelevant. As seen in Peru and Venezuela, changes in polyarchic quality *can* have an effect on economic growth. Thus, Przeworski is right in writing, “We may be hurling ourselves

¹¹⁴ Adam Przeworski, “Is the Science of Comparative Politics Possible?” Unpublished (September 29, 2006).

against a wall, but hurl we do and hurl we will.”¹¹⁵ It may be unrealistic to expect to clearly understand the relationship between governance and development, since there will always be a wall preventing an omniscient understanding of causal relations, but it *is* possible to gain a better understanding. In this sense, though this thesis has no grand insight about the relationship between democracy and development in Latin America from 1995-2006, by illuminating the need for a new definition of democracy and the complexity of its relationship to development, it has drilled a couple of holes in that wall.

¹¹⁵ Przeworski, “Science of Comparative Politics,” 25.

Appendix

The following spreadsheet contains the full results of my quantitative work. It includes three-year averages for each country and indicator referenced in the thesis. Also included are numbers covering per Capita GDP and percent change in GDP, which do not inform my conclusions. A full methodological overview, including sourcing information, can be found in Chapter 3.

South America (Development and Democracy)

	Heritage EF (95-97)	Heritage EF (98-00)	Heritage EF (01-03)	Heritage EF (04-06)	FH Civil Libs (95-97)	FH Civil Libs (98-00)	FH Civil Libs (01-03)	FH Civil Libs (04-06)
Argentina	72.00	70.50	63.53	53.00	50.00	50.00	66.67	83.33
Bolivia	62.37	66.47	65.80	60.23	50.00	66.67	66.67	66.67
Brazil	50.70	58.23	62.27	61.53	50.00	61.11	66.67	72.22
Chile	73.23	74.57	76.30	77.57	83.33	83.33	88.89	100.00
Colombia	65.07	64.70	64.67	60.40	50.00	50.00	50.00	55.55
Ecuador	59.60	61.83	54.10	53.97	50.00	66.67	66.67	66.67
Paraguay	66.77	64.30	59.37	55.23	66.67	66.67	66.67	66.67
Peru	61.07	67.63	66.33	62.17	66.67	55.55	66.67	66.67
Uruguay	64.57	68.80	69.73	66.30	83.33	94.45	100.00	100.00
Venezuela	55.70	55.83	54.70	45.50	66.67	50.00	44.44	50.00
TOTAL	63.11	65.29	63.68	59.59	61.67	64.45	68.34	72.78

South America (Development and Democracy)

WB Stability (95-97)	WB Stability (98-00)	WB Stability (01-03)	WB Stability (04-06)	CPI (95-97)	CPI (98-00)	CPI (01-03)	CPI (04-06)
52.20	60.00	36.90	47.53	38.20	31.67	29.33	27.33
46.80	45.00	41.80	32.00	27.25	26.67	21.67	24.67
38.60	46.70	48.30	48.93	30.73	40.00	39.67	36.33
58.80	57.40	68.10	66.07	69.30	70.33	74.67	73.33
21.60	15.70	7.30	13.60	28.00	27.67	37.00	39.00
33.00	36.20	32.30	32.87	24.30	24.33	22.33	24.00
44.80	29.00	31.90	40.07	17.50	17.50	16.50	22.00
24.40	32.90	31.90	31.27	44.30	44.30	39.33	34.33
63.60	64.10	62.90	63.33	41.40	43.50	52.33	61.67
33.40	41.10	23.90	26.00	26.43	25.33	25.67	23.00
41.72	42.81	38.53	40.17	34.74	35.13	35.85	36.57

South America (Development and Democracy)

	WB Rule of Law (95-97)	WB Rule of Law (98-00)	WB Rule of Law (01-03)	WB Rule of Law (04-06)	WB Corruption (95-97)	WB Corruption (98-00)	WB Corruption (01-03)	WB Corruption (04-06)
Argentina	52.20	58.00	34.60	37.80	46.40	45.60	38.70	41.87
Bolivia	44.20	43.10	41.00	34.34	31.20	40.60	33.40	34.20
Brazil	45.80	44.40	43.10	41.74	46.40	50.80	49.10	47.13
Chile	74.40	73.30	73.40	73.20	75.80	77.20	76.90	77.27
Colombia	36.60	33.40	31.60	35.80	39.60	36.90	40.60	45.47
Ecuador	41.60	36.60	36.40	32.40	33.40	33.10	32.40	34.33
Paraguay	40.80	30.10	26.90	28.66	40.80	24.00	25.00	25.80
Peru	38.40	36.80	38.20	35.54	47.20	43.30	45.50	42.07
Uruguay	61.20	60.90	61.40	58.13	58.60	64.80	64.80	65.67
Venezuela	36.40	34.90	26.40	24.54	33.40	34.70	28.60	30.07
TOTAL	47.16	45.15	41.30	40.22	45.28	45.10	43.50	44.39

South America (Development and Democracy)

	World Bank V+A (1995-1997)	World Bank V+A (1998-2000)	World Bank V+A (2001-2003)	World Bank V+A (2004-2006)	LB Dem (95-97)	LB Dem (98-00)	LB Dem (01-03)	LB Dem (04-06)
Argentina	57.80	54.30	54.60	56.00	30.00	38.50	11.00	33.67
Bolivia	56.80	53.50	50.40	48.07	23.00	31.00	23.00	27.00
Brazil	53.60	53.60	58.10	58.06	20.00	26.00	27.00	27.67
Chile	65.40	62.60	70.80	72.40	35.00	38.50	30.00	39.00
Colombia	41.40	38.70	39.80	44.94	16.00	28.50	18.00	31.00
Ecuador	52.80	45.80	48.10	43.20	31.00	24.50	16.00	15.30
Paraguay	51.20	39.40	41.20	41.54	32.00	25.50	14.00	19.67
Peru	44.60	42.70	51.90	49.54	32.00	24.50	24.00	17.67
Uruguay	68.80	68.00	70.20	67.86	46.00	58.50	48.00	52.30
Venezuela	51.60	48.70	39.40	39.27	25.00	38.50	39.00	49.00
TOTAL	54.40	50.73	52.45	52.09	29.00	33.40	25.00	31.23

South America (Development and Democracy)

FH PR (95-97)	FH PR (98-00)	FH PR (01-03)	FH PR (04-06)		Liberal (1995-1997)	Liberal (1998-2000)	Liberal (2001-2003)	Liberal (2004-2006)
83.33	83.33	77.78	83.33	Argentina	58.07	60.17	55.70	61.29
83.33	100.00	94.45	66.67	Bolivia	53.06	59.38	58.09	52.97
83.33	66.67	72.22	83.33	Brazil	46.43	55.35	59.08	60.89
83.33	72.22	83.33	100.00	Chile	71.79	71.77	77.76	81.21
50.00	55.55	50.00	61.11	Colombia	45.56	43.47	40.66	43.18
50.00	72.22	66.67	66.67	Ecuador	47.53	54.90	51.02	51.17
66.67	50.00	50.00	66.67	Paraguay	59.41	53.32	52.65	53.99
66.67	50.00	83.33	83.33	Peru	50.71	52.03	54.97	53.37
100.00	100.00	100.00	100.00	Uruguay	70.50	75.78	77.54	76.54
83.33	77.78	66.67	55.55	Venezuela	51.92	48.98	41.01	40.50
75.00	72.78	74.45	76.67	TOTAL	55.50	57.51	56.85	57.51

South America (Development and Democracy)

	Republican (1995-1997)	Republican (1998-2000)	Republican (2001-2003)	Republican (2004-2006)	Democratic (1995-1997)	Democratic (1998-2000)	Democratic (2001-2003)	Democratic (2004-2006)
Argentina	45.60	45.09	34.21	35.67	57.04	58.71	47.79	57.67
Bolivia	34.22	36.79	32.02	31.07	54.38	61.50	55.95	47.25
Brazil	40.98	45.07	43.96	41.74	52.31	48.76	52.44	56.35
Chile	73.17	73.61	74.99	74.60	61.23	57.77	61.38	70.47
Colombia	34.73	32.66	36.40	40.09	35.80	40.92	35.93	45.68
Ecuador	33.10	31.34	30.38	30.24	44.60	47.51	43.59	41.72
Paraguay	33.03	23.87	22.80	25.49	49.95	38.30	35.06	42.63
Peru	43.30	41.47	41.01	37.31	47.76	39.07	53.08	50.18
Uruguay	53.73	56.40	59.51	61.82	71.60	75.50	72.73	73.39
Venezuela	32.08	31.64	26.89	25.87	53.31	55.00	48.36	47.94
TOTAL	42.39	41.79	40.22	40.39	52.80	52.30	50.63	53.33

South America (Development and Democracy)

	GDP PPP (95-97)	GDP PPP (98-00)	GDP PPP (01-03)	GDP PPP (04-06)	GDP (95-97)	GDP (98-00)	GDP (01-03)	GDP (04-06)
Argentina	\$8,458	\$9,273	\$8,573	\$10,894	\$7,795	\$7,944	\$4,459	\$4,750
Bolivia	\$2,806	\$3,062	\$3,253	\$3,759	\$960	\$1,030	\$929	\$1,080
Brazil	\$6,779	\$7,135	\$7,693	\$8,667	\$5,122	\$4,105	\$3,047	\$4,757
Chile	\$7,830	\$8,760	\$9,820	\$12,096	\$5,254	\$5,004	\$4,450	\$7,375
Colombia	\$5,217	\$5,248	\$5,639	\$6,855	\$2,838	\$2,439	\$2,126	\$3,072
Ecuador	\$4,801	\$4,857	\$5,403	\$6,623	\$1,888	\$1,539	\$1,966	\$2,803
Paraguay	\$3,576	\$3,495	\$3,477	\$3,908	\$1,744	\$1,421	\$1,024	\$1,337
Peru	\$4,547	\$4,806	\$5,224	\$6,353	\$2,317	\$2,112	\$2,144	\$2,876
Uruguay	\$7,281	\$8,016	\$7,487	\$9,349	\$6,355	\$6,427	\$4,239	\$4,956
Venezuela	\$8,583	\$8,376	\$7,989	\$10,023	\$3,513	\$4,324	\$3,998	\$5,562
TOTAL	\$5,988	\$6,303	\$6,456	\$7,853	\$3,779	\$3,635	\$2,838	\$3,857

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