

The political economy of liberal democracy

Sharun Mukand, Dani Rodrik

There are more democracies in the world than non-democracies, but few of the democracies go beyond electoral competition. This column highlights the contrast between electoral democracies and liberal ones, that is, those that protect civil rights in addition to political and property rights. Liberal democracies are rare because the failure to protect minority rights is a common consequence of the emergence of democracy. They are especially uncommon in the developing world, where decolonisation and identity cleavages sparked social mobilisation.

Liberal and illiberal democracies

There are more democracies in the world today than non-democracies, according to data from Polity IV.¹ Yet, few of those are what we would call liberal democracies – regimes that go beyond electoral competition and protect the rights of minorities, the rule of law, and free speech and practice non-discrimination in the provision of public goods.

Hungary, Ecuador, Mexico, Turkey, and Pakistan, for example, are all classified as electoral democracies by the Freedom House.² But in these and many other countries, harassment of political opponents, censorship or self-censorship in the media, and discrimination against minority ethnic/religious groups run rampant. Fareed Zakaria coined the term ‘illiberal democracy’ for political regimes such as these that hold regular elections but routinely violate rights (Zakaria 1997). More recently, political scientists Steve Levitsky and Lucan Way (2010) have used the term ‘competitive authoritarianism’ to describe what they view as hybrid regimes between democracy and autocracy.

Democracy developed in Western Europe out of a liberal tradition that emphasised individual rights and placed limits on state coercion (Ryan 2012, Fawcett 2014, Fukuyama 2014). In Britain, France, Germany, and even the US, mass enfranchisement arrived only after liberal thought had become entrenched. Most of the world’s new democracies, by contrast, emerged in the absence of a liberal tradition and did little to foster one. As the shortcomings of these democracies have become more evident, it has become commonplace to talk about a ‘democratic recession’ (Diamond 2015).

New thinking and evidence

In a new paper (Mukand and Rodrik 2015), we present a taxonomy of political regimes, making a distinction in particular between electoral and liberal democracy.

- We take the main distinctive feature of a liberal regime to be the restraints placed on those in power to prevent discrimination against minorities and ensure equal treatment.

The restraints can be legal or administrative. They can be maintained by constitutional strictures or self-enforcing agreements. What matters is that these checks, which we associate with ‘civil rights’ for short, are effective in practice.

Our focus is squarely on these missing restraints – the relative weakness of civil rights – in illiberal electoral democracies.

We distinguish specifically between three sets of rights: property rights, political rights, and civil rights. We define these as follows:

- Property rights protect asset holders and investors against expropriation by the state or other groups.
- Political rights guarantee free and fair electoral contests and allow the winners of such contests to determine policy, subject to the constraints established by other rights (when provided).
- Civil rights ensure equality before the law – i.e. non-discrimination in the provision of public goods such as justice, security, education, and health.

We classify political regimes according to which (combination) of these rights are provided (Table 1). In dictatorships, it is only the property rights of the elite that are protected. Classical liberal regimes protect property and civil rights, but not necessarily electoral rights. Electoral democracies, which constitute the majority of present-day democracies, protect property and political rights, but not civil rights. Liberal democracies protect all three sets of rights. We operationalise the non-discrimination constraint under liberalism as equal treatment by the state in public goods provision in different domains – legal, religious, educational, etc.

Table 1. A taxonomy of political regimes

		<i>property rights</i>			
		no		Yes	
		<i>political rights</i>		<i>political rights</i>	
		no	yes	no	Yes
<i>civil rights</i>	no	(1) personal dictatorship or anarchy	(2) dictatorship of the proletariat	(5) right-wing autocracy	(6) electoral/illiberal democracy
	yes	(3) n.a.	(4) democratic communism	(7) liberal autocracy	(8) liberal democracy

Each one of these rights has a clear, identifiable beneficiary. Property rights benefit primarily the wealthy, propertied elite. Political rights benefit the majority – the organised masses and popular forces. And civil rights benefit those who are normally excluded from the spoils of privilege or power – ethnic, religious, geographic, or ideological minorities.

When the propertied elite can rule on their own, they establish an autocracy that protects their (property) rights and little else. This has been the usual outcome throughout the long arch of history. Mass democracy, on the other hand, requires the emergence of organised popular groups that can challenge the power of the elites. In the 19th and 20th centuries, processes such as industrialisation, world wars, and de-colonisation led to the mobilisation of such groups. Democracy, when it arose, was typically the result of a quid pro quo between the elites and the mobilised masses. The elites acceded to the masses' demands that enfranchisement be extended (usually) to all males regardless of property qualifications. In return, the newly enfranchised groups accepted limits on their ability to expropriate property holders. In short, electoral rights were exchanged for property rights.³

The defining characteristic of this political settlement is that it excludes the main beneficiary of civil rights – the dispossessed minorities – from the bargaining table. These minorities have neither resources (like the elite) nor numbers (like the majority) behind them. So they do not have something to bring to the table, and cannot make any credible threats. The political logic of democratisation dictates the provision of property and political rights, but not civil rights. The provision of civil rights is costly to the majority and largely unnecessary for the elite (who can pay for their own collective goods by extracting a surplus from the masses). Therefore, the political settlement is one that favours electoral democracy over liberal democracy.

By distinguishing explicitly between three groups and three associated sets of rights, our framework helps explain why liberal democracy is such a rare beast. The failure to protect minority rights is a readily understood consequence of the political logic behind the emergence of democracy. What requires explanation is not the relative paucity of liberal democracy, but its very existence – rare as it may be.

- The surprise is not that few democracies are liberal, but that liberal democracies exist at all.

Circumstances supporting civil rights

But liberal democracies do exist, and the question is how they can ever be sustained in equilibrium. We discuss several circumstances that can mitigate the bias against civil rights in democracies.

- First, there may not be a clear, identifiable cleavage – ethnic, religious, or otherwise – that divides the majority from the minority.

In highly homogenous societies, the ‘majority’ derives few benefits from excluding the ‘minority’ from public goods and suffers few costs from providing equal access. This may account for the emergence of liberal democracy in Sweden during the early part of the 20th century or in Japan and South Korea more recently.

- Second, the two cleavages that distinguish the majority from the minority and the elite from the non-elite may be in close alignment.

In such a case, the elite will seek both property and civil rights as part of the political settlement with the majority. Think, for example, of the position of the white minority government in South Africa prior to the transition to democracy in 1994.

- Third, the majority may be slender and need the support of the minority to mount a serious challenge to the elite.

Or there may be no clear-cut majority, with society characterised by a preponderance of cross-cutting cleavages. In these cases, repeated game incentives may ensure that each group recognises the rights of others in return for its rights being protected by them. Lebanon’s ‘consociational’ democracy may have been an example of this, before differential population growth and outside intervention upset the pre-existing balance of power among different religious denominations.

The role of societal cleavages

As these examples make clear, two societal cleavages play a crucial role in our story.

- First, there is the divide between the propertied elite and the poor masses.

This is largely an economic divide and is determined by the division of land, capital and other assets in society, as well as access to the opportunities for accumulating those assets. Standard class-based accounts of the dynamics of political regimes emphasise primarily this cleavage.

- Second, there is a cleavage between what we call a majority and a minority.

This particular divide may be identity based, deriving from ethnic, religious, linguistic, or regional affiliations. Or it may be ideological – as with secular modernisers versus religious conservatives in Turkey, and Western-oriented liberals versus traditionalists in Russia. (We will call this second cleavage an ‘identity’ cleavage for short, but it should be kept in mind that the relevant majority-minority cleavage will run often on ideological lines.) These two cleavages may align, as they did in South Africa, but more often than not, they will not. Their divergence is what allows us to make an analytical and substantive distinction between electoral and liberal democracy.

In our formal model, the majority-minority split exerts a variety of influences on the prospects for liberal democracy. First, and most crucially, it makes the majority favour electoral over liberal democracy. By discriminating against the minority, the majority can enjoy more public goods for itself. But there are effects that go in the opposite direction too. Under some circumstances, the split can make the elite favour liberal democracy. We identify two such consequences. First, the rate of taxation is generally lower under liberal democracy as the majority reap fewer benefits from redistributive taxation when they have to share public goods with the minority. So the elite may support liberal democracy when the income/class cleavage is very deep. Second, when the elite’s identity aligns with that of the minority, the elite have a direct stake in civil rights too. These channels can produce a rich mix of results.

Concluding remarks

We suggest that the differential fortunes of liberal democracy in Western Europe and the developing world are related to the nature of dominant cleavages at the time of the social mobilisation that ushered in democracy. In the West, the transition to democracy occurred as a consequence of industrialisation at a time when the major division in society was the one between capitalists and workers. In most developing nations, on the other hand, mass politics was the product of decolonisation and wars of national liberation, with identity cleavages as the main fault line. Our framework suggests that the second kind of transition is particularly inimical to liberal democracy.

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Footnotes

[1] See <http://www.systemicpeace.org/inscrdata.html>. 'Democracies' are countries that receive a score of 7 or higher in the Polity's democ indicator (which takes values between 0 and 10), while 'non-democracies' are countries with a score below 7.

[2] Freedom House, List of Electoral Democracies, downloadable from <https://freedomhouse.org/report-types/freedom-world#.VVIZc5PVEZw>.

[3] This is essentially the account of the emergence of democracy that is provided, for example, in Acemoglu and Robinson (2009). See also Dahl (1971), Przeworski (1991), Rueschemeyer *et al.* (1992), and Boix (2003) among others.

About CAGE

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