

# Gaming Democracy: Elite Dominance during Transition and the Prospects for Redistribution

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# Distributional Foundations of Regimes

- Democratization = elite strategy to avoid revolution by credibly committing to future redistribution.
- Democratization → at low levels of inequality (Boix 2003) or middling levels (Acemoglu and Robinson 2006).
- At high levels of inequality, rich prefer to keep autocracy and double down on repression.

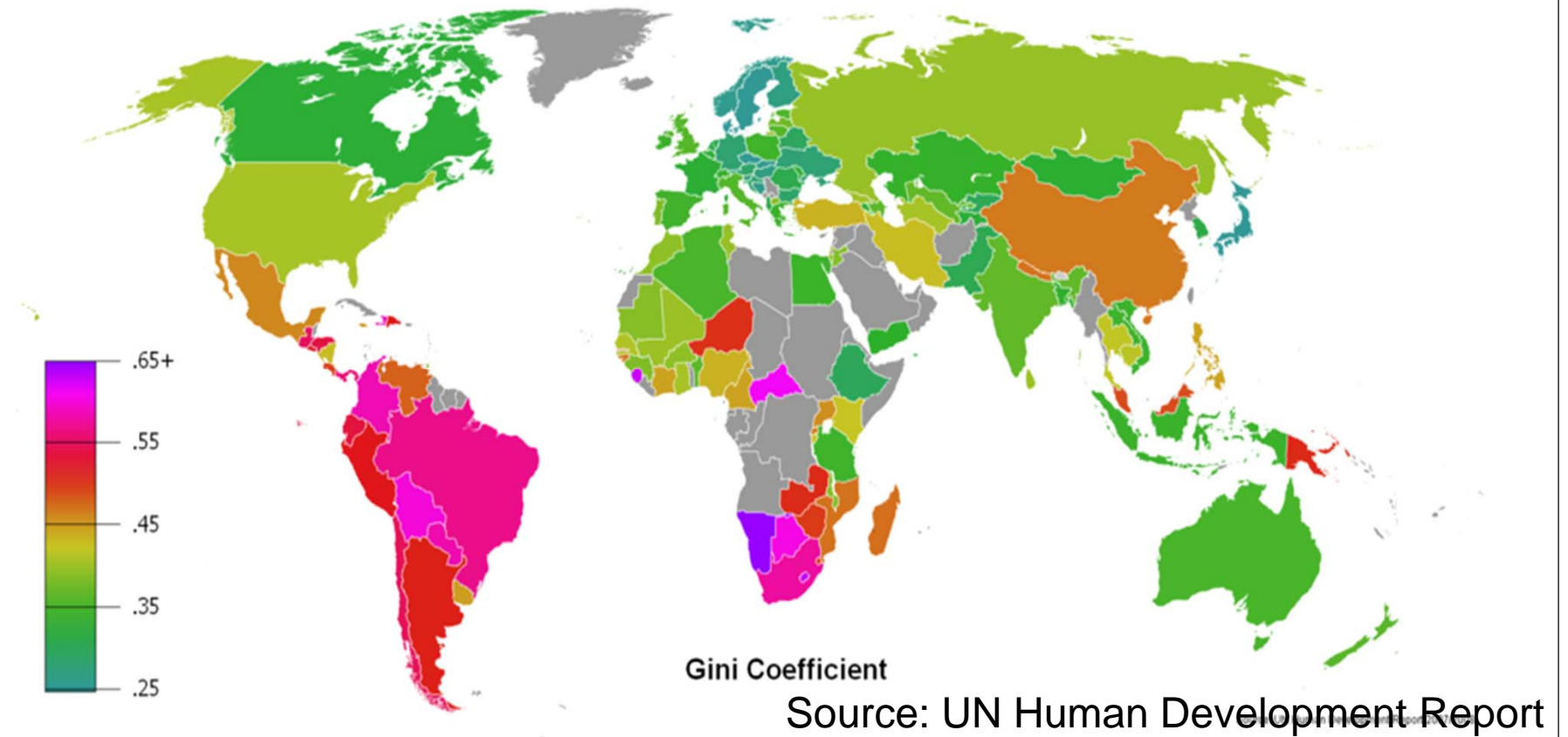
## *Democracy is bad for the rich?*

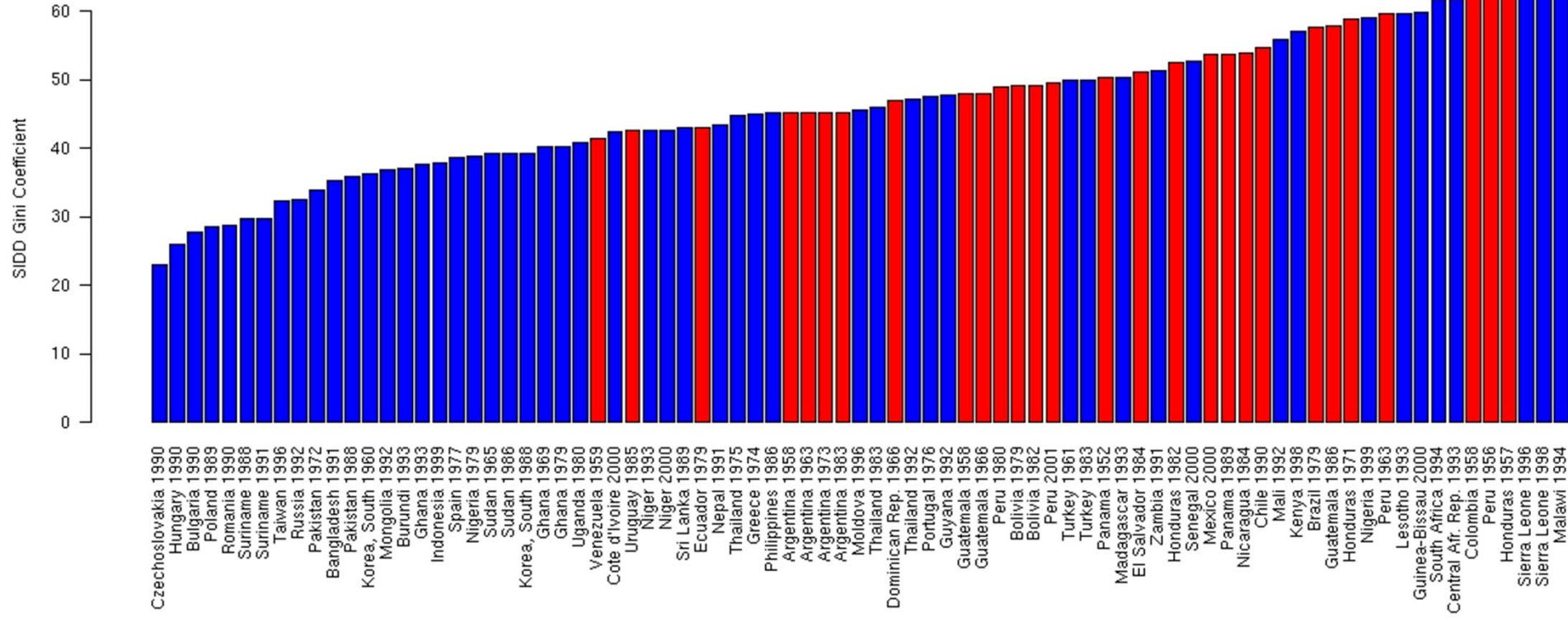
- **Plato:** “[democrats] rob the rich, keep as much for themselves and distribute the rest to the people.”
- **Madison:** “[democracy ushers in] abolition of debts, an equal division of property and any other improper or wicked projects.”
- **Adams:** “rule by the masses leads to heavy taxes on the rich in the name of equality.”
- **Aristotle and Tocqueville** agree.
- **Meltzer and Richards (1981):** redistribution increases as inequality increases.

# Big Puzzles

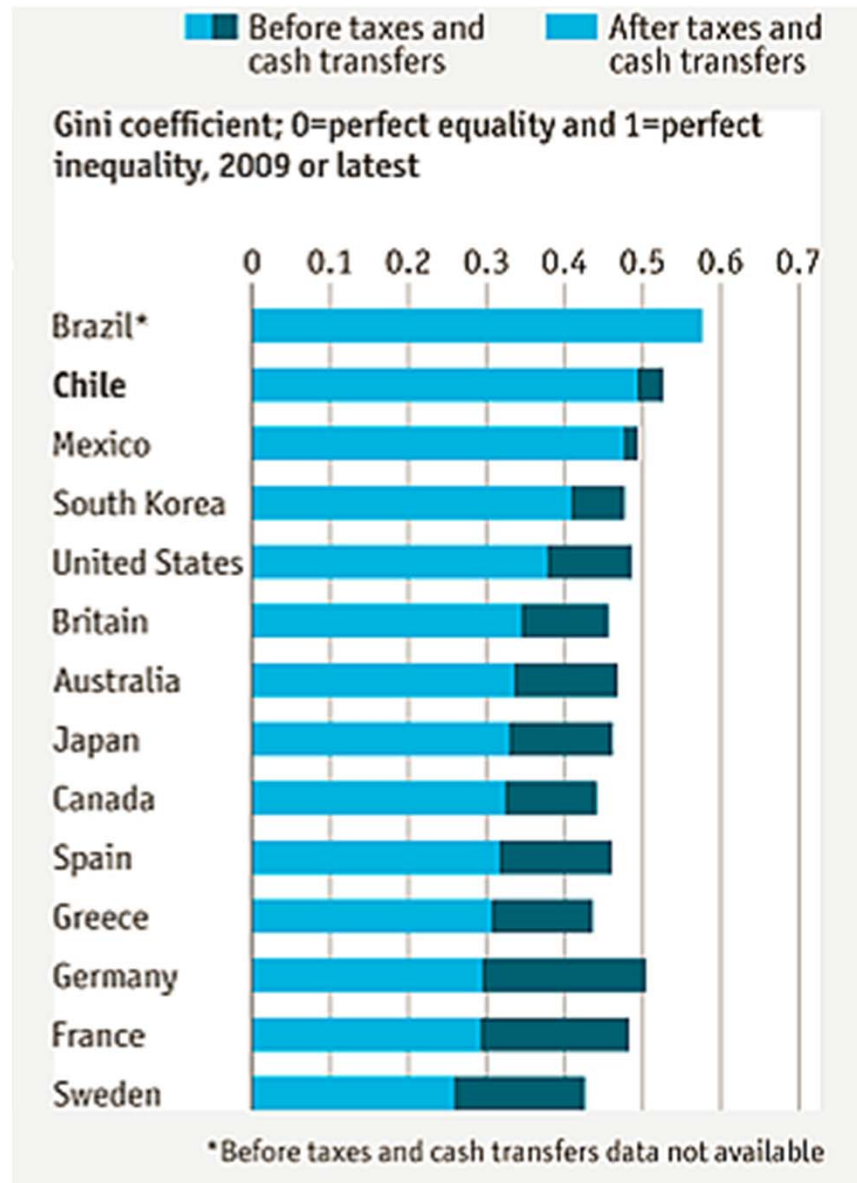
- Most unequal countries just as likely to democratize (Houle 2009; Albertus and Menaldo 2012).
- Democracy  $\neq$  redistribution (Albertus 2012, Cheibub 1998, Harms and Zink 2003, Menaldo 2009, Mulligan et al. 2004, Perotti 1996, Ross 2006).
- Most unequal democracies  $\rightarrow$  least redistributive (Iversen and Soskice 2006).

# Income Inequality



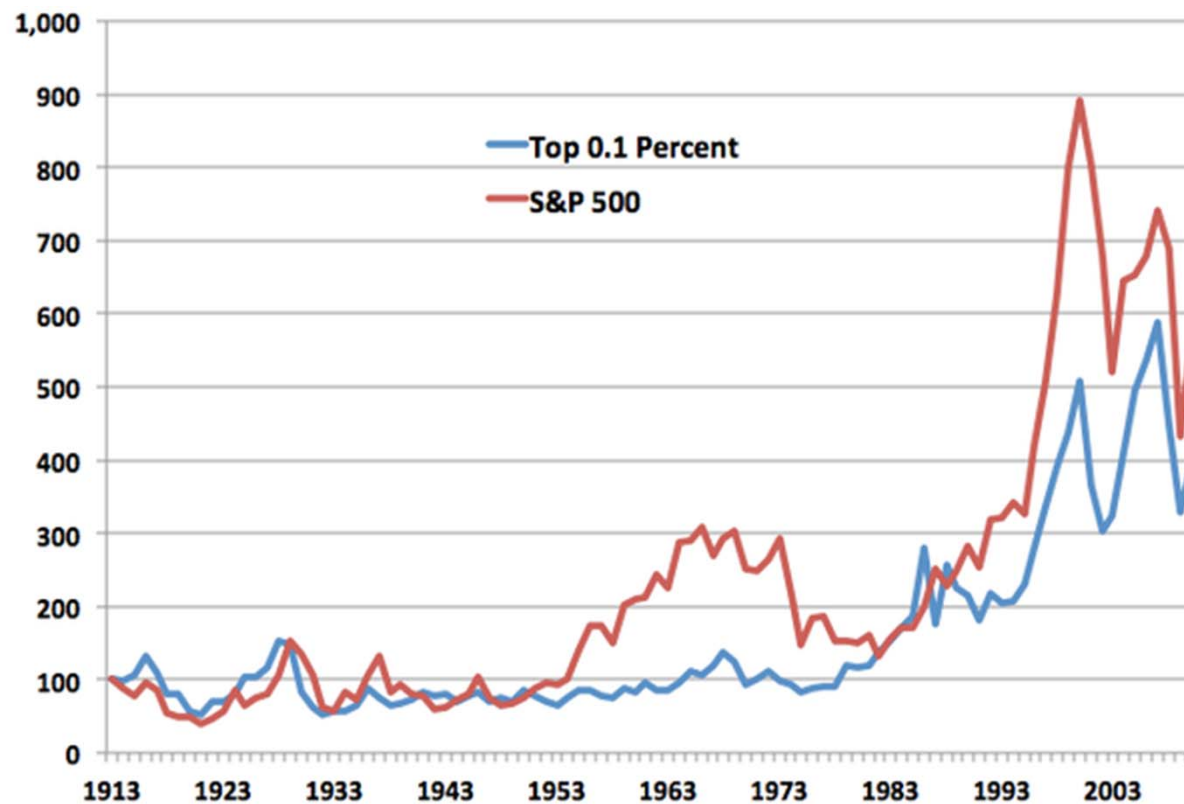


## *The Robinhood Paradox*



Sources: OECD; ECLAC; taken from Economist

# Income of the Wealthiest Americans



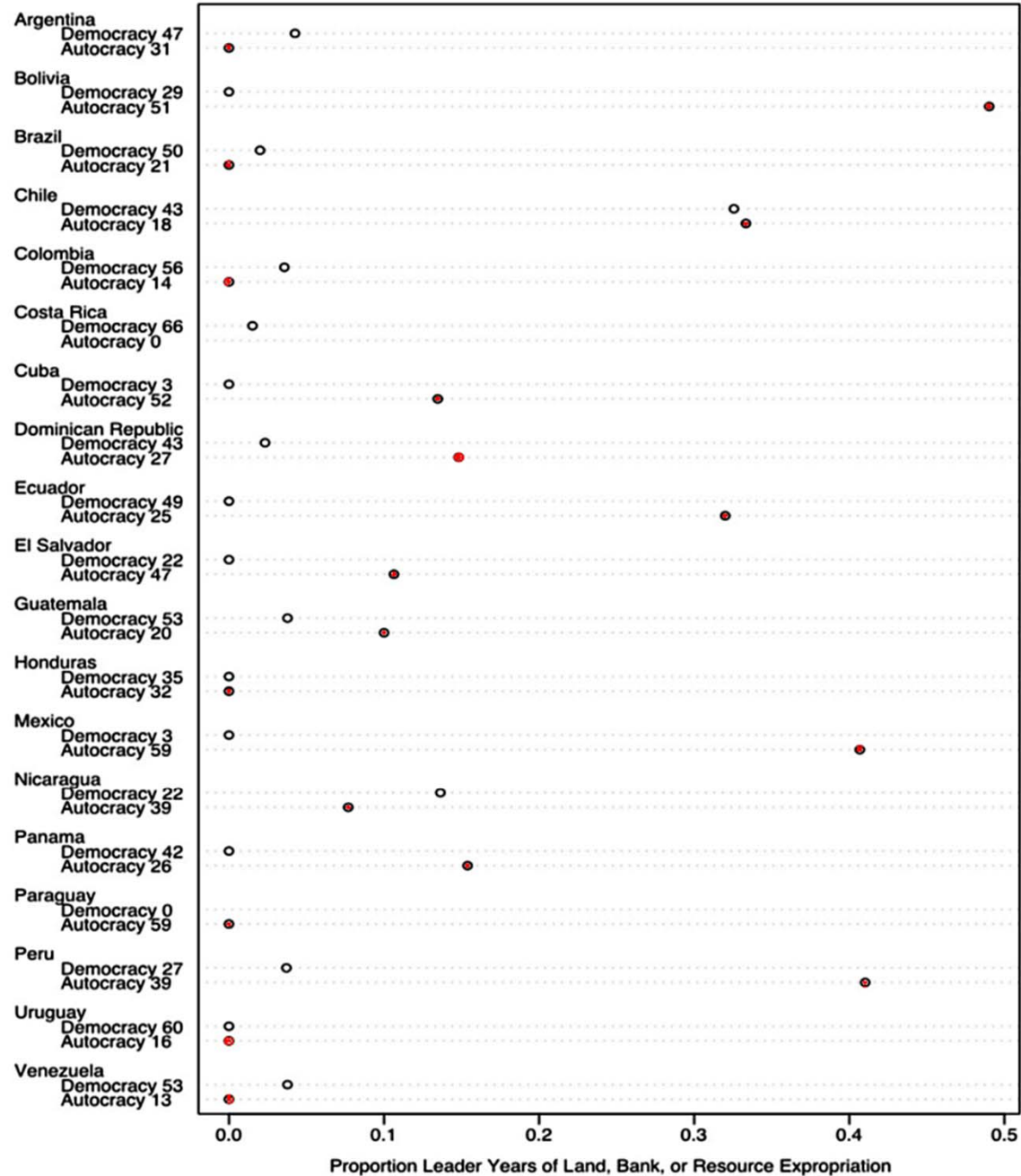
Index = 100 in 1913



# Motivating Anecdotal Evidence

- Property qualifications for elected representatives
- Malapportionment that favors elite overrepresentation
- Restrictions on the franchise
- Banning of socialist and communist parties
- Appointment of conservative senators
- Electoral rules that make it easier for conservative parties to gain power

# Large-Scale Expropriation Worse under Autocracy in Latin America



## Expropriation of land and capital outside of Latin America under dictatorship:

- Soviet Revolution in 1917
- Egypt under military dictatorship after monarchical rule in 1952
- Scores of examples during the late 1940s and early 1950s for East Asia, including Taiwan, Vietnam, Sri Lanka, Indonesia and the Philippines
- Robert Mugabe's expropriation of white landlords in Zimbabwe

Table 1. Cases of Democratic Transition, 1950-2008

Country	Transition Year	Transition Circumstances*	Country	Transition Year	Transition Circumstances*
Albania	1991	-	Liberia	2006	A
Argentina	1958	A	Madagascar	1993	A
Argentina	1963	BA	Malawi	1994	-
Argentina	1973	A	Mali	1992	B
Argentina	1983	B	Mauritania	2007	-
Bangladesh	1986	-	Mexico	2000	BA
Benin	1991	GA	Mongolia	1990	-
Bhutan	2007	-	Myanmar	1960	-
Bolivia	1979	BA	Nepal	1990	-
Bolivia	1982	BA	Nepal	2008	-
Brazil	1979	A	Nicaragua	1984	B
Bulgaria	1990	BGA	Niger	1993	BA
Burundi	1993	A	Niger	2000	BA
Burundi	2005	BA	Nigeria	1979	A
Cen. African Rep.	1993	A	Nigeria	1999	B
Chile	1990	A	Pakistan	1972	BA
Colombia	1958	BGA	Pakistan	1988	A
Comoros	1990	BA	Pakistan	2008	-
Comoros	2004	BA	Panama	1952	BA
Congo	1992	-	Panama	1989	A
Cyprus	1983	A	Paraguay	1989	A
Czechoslovakia	1989	A	Peru	1956	A
Dominican Rep.	1966	B	Peru	1963	BA
Ecuador	1979	A	Peru	1980	A
Ecuador	2002	-	Peru	2001	BA
El Salvador	1984	BA	Philippines	1986	BG
Fiji	1992	A	Poland	1989	GA
Georgia	2004	BA	Portugal	1976	B
Ghana	1969	-	Romania	1990	BGA
Ghana	1979	-	Senegal	2000	A
Ghana	1993	A	Serbia	2000	BA
Greece	1974	B	Sierra Leone	1996	B
Guatemala	1958	BA	Sierra Leone	1998	B
Guatemala	1966	A	Spain	1977	A
Guatemala	1986	A	Sri Lanka	1989	BA
Guinea-Bissau	2000	BA	Sudan	1965	GA
Guinea-Bissau	2004	BA	Sudan	1986	BA
Honduras	1957	B	Taiwan	1996	-
Honduras	1971	A	Thailand	1975	A
Honduras	1982	-	Thailand	1979	A
Hungary	1990	BGA	Thailand	1992	BA
Indonesia	1999	A	Thailand	2008	-
Jamaica	1962	-	Turkey	1961	B
Kenya	1998	A	Turkey	1983	A
Korea, South	1960	A	Uganda	1980	B
Korea, South	1988	GA	Uruguay	1985	-
Kyrgyzstan	2005	A	Venezuela	1959	BGA

*Note:* Table 1 includes all cases of democratic transition from 1950-2008 as coded by Cheibub, Gandhi, and Vreeland (2009). Data on revolutions as coded by Goldstone end in 1998. Data on constitutions as coded by Elkins et al. (2010) end in 2006.

\* Transition Circumstances are as follows. B: Revolution coded by Banks in year prior to transition. G: Revolution coded by Goldstone in year prior to transition. A: Autocratic constitution adopted prior to democratic transition.

**Table 2. Panel Fixed Effects Estimations of the Determinants of Social Spending % GDP**

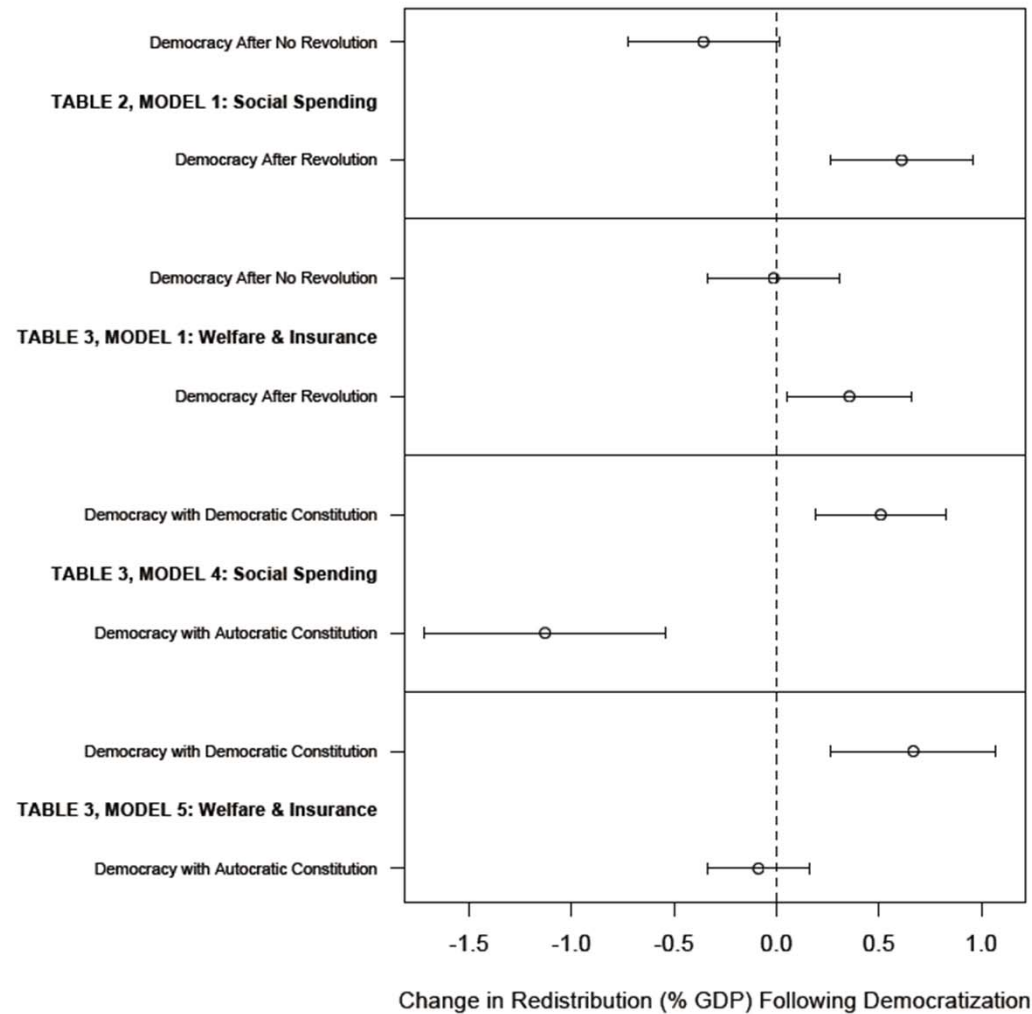
t-statistics in brackets; instruments from first stage regressions of IV models in bottom panel.

	(1)	(2)	(3)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
ESTIMATION STRATEGY	OLS-DKSE FE	OLS-DKSE FE	OLS-DKSE FE	IV-2SLS FE	IV-2SLS FE	IV-2SLS FE	IV-2SLS FE	IV-2SLS FE	IV-2SLS FE	IV-2SLS FE	IV-2SLS FE
DEPENDENT VARIABLE	Social Spending			Elite Weakness		Elite Weakness		Elite Weakness		Elite Weakness	
MEASURE OF ELITE WEAKNESS	Democracy	Dem. After	Democracy w/	Democracy	Democracy	Democracy	Democracy	Democracy w/	Democracy w/	Democracy w/	Democracy w/
	After Revolution	Successful Rev.	Aut. Constitution	After Revolution	After Revolution	After Revolution	After Revolution	Aut. Constitution	Aut. Constitution	Aut. Constitution	Aut. Constitution
Elite Weakness	<b>0.968</b> <b>[3.20]***</b>	<b>0.76</b> <b>[2.98]***</b>	<b>-0.42</b> <b>[2.06]**</b>		<b>2.757</b> <b>[2.35]**</b>		<b>2.987</b> <b>[2.24]**</b>		<b>-1.537</b> <b>[2.20]**</b>		<b>-2.91</b> <b>[4.48]***</b>
All Democracies	-0.357 [1.59]	-0.221 [1.16]	0.235 [1.09]		-0.945 [1.97]**		-1.544 [2.94]***		1.086 [2.31]**		1.506 [3.27]***
Revolution	-0.34 [3.68]***	-0.306 [3.24]***	-0.322 [3.55]***	0.005 [0.55]	-0.352 [2.86]***	-0.019 [2.35]**	-0.024 [0.21]	0.011 [1.01]	-0.288 [2.32]**	0.005 [0.51]	-0.042 [0.38]
log(Per Capita Income)	1.996 [7.00]***	1.85 [6.84]***	1.962 [7.60]***	-0.108 [5.96]***	2.167 [8.47]***	-0.087 [3.18]***	-0.381 [0.97]	0.12 [5.83]***	2.109 [8.52]***	-0.009 [1.01]	-0.121 [0.31]
Manufacturing Value Added	-0.049 [2.66]***	-0.051 [2.76]***	-0.046 [2.47]**	0.002 [2.39]**	-0.052 [4.18]***	0.001 [1.09]	-0.036 [2.55]**	0.004 [3.38]***	-0.043 [3.49]***	0.078 [1.08]	-0.031 [2.18]**
log(Population)	3.057 [4.64]***	2.951 [4.50]***	2.923 [4.54]***	-0.154 [3.79]***	3.311 [6.17]***	-0.007 [0.12]	1.946 [2.57]**	-0.009 [0.20]	2.944 [5.75]***	0.18 [5.03]***	2.16 [2.84]***
log(Natural Resources Income PC)	0.007 [0.07]	0.018 [0.17]	0.004 [0.04]	-0.003 [0.54]	0.008 [0.11]	-0.005 [0.79]	0.199 [2.17]**	-0.013 [1.88]*	0.002 [0.03]	0.001 [0.69]	0.133 [1.43]
Trade Openness	-0.008 [1.69]*	-0.008 [1.59]	-0.008 [1.63]	0.001 [4.07]***	-0.01 [3.66]***	0 [1.15]	-0.002 [0.76]	-0.001 [3.58]***	-0.009 [3.41]***	0 [0.03]	-0.002 [0.80]
Old Age Ratio	-0.34 [3.89]***	-0.329 [3.75]***	-0.321 [3.70]***	0.018 [2.93]***	-0.377 [4.54]***	0.026 [2.69]***	-0.727 [5.41]***	-0.012 [1.67]*	-0.325 [4.11]***	-0.034 [2.69]***	-0.711 [5.36]***
log(Age at Entry, Last Dictator)				-0.324 [3.21]***		-0.837 [8.73]***		0.904 [7.88]***		1.14 [9.10]***	
log(Age at Entry, Last Dictator)^2				0.882 [4.35]***		1.862 [9.57]***		-1.587 [6.88]***		-2.078 [8.18]***	
log(Democracies in Region) t-1				-0.114 [8.89]***		-0.051 [3.66]***		0.212 [14.61]***		0.278 [15.23]***	
Years as Sovereign Nation at Transition				0.001 [5.14]***		0.001 [2.73]***		-0.001 [5.49]***		-0.001 [3.56]***	
Non-linear Time Trends	YES	YES	YES	YES	YES	NO	NO	YES	YES	NO	NO
Country Fixed Effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country Specific Time Trends	NO	NO	NO	NO	NO	YES	YES	NO	NO	YES	YES
Observations	2189	2189	2189	2189	2189	2189	2189	2189	2189	2189	2189
Number of countries	123	123	123	123	123	123	123	123	123	123	123

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

Notes: DKSE = Driscoll Kraay Standard Errors. Intercepts estimated but not reported; linear, quadratic and cubic time trends estimated but not reported. Country fixed effects controlled for via within transformation. For OLS-DKSE FE regressions, robust t statistics in brackets with a Newey West correction for serial correlation. IV-OLS FE regressions robust to IV-GMM approach. All controls starting with log(Per Capita Income) lagged by one period. All Democracies instrumented with log(Democracies in Region) t-1 and Years as Sovereign Nation at Transition in models 4 through 7; these stage 1 regressions not reported due to space limitations but available upon request.

**Figure 1. Democratic Transition and Predicted Redistribution by Transition Conditions**



Notes: Figure 1 shows the point estimates and 90 percent confidence intervals for the variables indicated on the left-hand side. Predictions are based on the models indicated. The dashed line indicates the excluded baseline category of autocracy. The type of redistribution, whether Social Spending (% of GDP) or spending on Welfare and Insurance (% of GDP), is listed along with the model numbers.

**Table 4. Panel Estimation of Determinants of Elite-biased Measures under Democracy**

Dependent Variable is Elite-biased Measure

Robust t-statistics in brackets

Dependent Variable	(1)	(2a)	(2b)	(3)	(4)	(5)
SPECIFICATION	<i>PR</i>	<i>ERLC-Right</i>	<i>ERLC-Center</i>	<i>Military Size</i>	<i>MUNI</i>	<i>AUT</i>
	Probit	Multinomial	Logit	OLS	Ordered Logit	Probit
<b>Democracy with</b>	<b>0.782</b>	<b>0.326</b>	<b>-0.684</b>	<b>0.449</b>	<b>-1.199</b>	<b>-0.814</b>
<b>Autocratic Constitution</b>	<b>[11.30]***</b>	<b>[2.54]***</b>	<b>[3.91]***</b>	<b>[6.41]***</b>	<b>[8.59]***</b>	<b>[9.72]***</b>
All Democracies	0.03	-0.291	-1.125	-0.43	1.61	0.825
	[0.52]	[1.11]	[5.30]***	[6.34]***	[25.14]***	[11.68]***
Revolution	0.138	-0.916	-1.303	0.169	0.209	0.26
	[1.72]*	[5.03]***	[6.58]***	[4.58]***	[2.17]**	[2.16]**
log(Per Capita Income)	0.041	0.299	-0.661	0.27	-0.17	0.838
	[0.90]	[2.35]**	[4.22]***	[9.49]***	[2.44]**	[18.46]***
log(Natural Resources Income PC)	-0.102	-0.004	0.229	0.087	0.009	-0.232
	[6.44]***	[0.11]	[6.95]***	[11.90]***	[0.48]	[13.06]***
Manufacturing Value Added	0.036	-0.07	-0.055	0.006	0.059	-0.025
	[6.20]***	[5.01]***	[7.26]***	[3.10]***	[11.25]***	[3.48]***
log(Population)	-0.032	0.005	0.12	-0.083	-0.162	0.247
	[1.30]	[0.07]	[2.13]**	[2.73]***	[8.24]***	[10.64]***
Trade Openness	-0.007	-0.003	0.004	0.001	-0.009	-0.005
	[16.64]***	[1.32]	[2.14]**	[3.98]***	[14.68]***	[7.74]***
Old Age Ratio	0.12	-0.054	0.07	0.023	0.195	-0.16
	[19.30]***	[1.96]**	[3.47]***	[2.75]***	[14.37]***	[21.66]***
log(Wheat Sugar Ratio)	-0.037	0.111	0.072	0.043	-0.069	0.244
	[3.38]***	[3.11]***	[2.16]**	[6.04]***	[6.89]***	[24.54]***
MID Count				0.008		
				[5.88]***		
International War Count				0.041		
				[10.67]***		
Non-linear time-trends	YES	YES	YES	YES	YES	YES
Observations	2427	2000	2000	3162	2071	1248

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

Notes: Intercept estimated but not reported. Results robust to controlling for region dummies; linear, quadratic and cubic time trends estimated but not reported. Regressions estimated via Maximum Likelihood: standard errors clustered by year; OLS Regressions estimated using Driscoll-Kraay robust standard errors with a Newey West correction for serial correlation.

All controls starting with log(Per Capita Income) lagged by one period.



<i>Country</i>	<i>Dictatorship length</i>	<i>Legislative Structure</i>	<i>Constitution</i>	<i>Anti-redistributive Measures</i>
Argentina	1955-57	Bicameralism	1957	malapportionment (lower chamber)
Argentina	1962			
Argentina	1966-73	Bicameralism	1972	malapportionment (lower chamber)
Argentina	1976-83			
Bolivia	1951-78	Bicameralism	1967	malapportionment (lower chamber)
Brazil	1964-87	Bicameralism	1967	Indirect elections for president, malapportionment (both chambers), leftist parties banned
Chile	1973-89	Bicameralism	1980	malapportionment (both chambers), appointed senators, leftist parties banned
Colombia	1950-57			
Ecuador	1963-79	Bicameralism	1967	malapportionment (lower chamber), restrictions on the franchise
El Salvador	1950-83		1962, 1983	leftist parties banned, Conservative Party overrepresented via PR with 3-seat districts under quota/reminders
Guatemala	1954-57		1956	leftist parties banned, restrictions on the franchise
Guatemala	1963-66		1965	leftist parties banned, restrictions on the franchise
Guatemala	1982-85			
Honduras	1950-57		1956	Indirect elections for president
Honduras	1963-71		1965	Indirect elections for president
Honduras	1973-80			
Mexico	1950-2000			
Nicaragua	1950-83	Bicameralism	1973	malapportionment (lower chamber), appointed senators
Panama	1968-89	Bicameralism	1972, 1982	malapportionment (lower chamber), appointed senators, restrictions on the franchise
Paraguay	1951-93	Bicameralism	1967	malapportionment (lower chamber), appointed senators
Peru	1950-55			
Peru	1962-79	Bicameralism	1979	appointed senators
Uruguay	1973-84	Bicameralism		
Venezuela	1950-58			malapportionment, restrictions on the franchise