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Daron Acemoglu and James A. Robinson

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ECONOMIC ORIGINS OF DICTATORSHIP AND DEMOCRACY

This book develops a framework for analyzing the creation and consolidation of democracy. Different social groups prefer different political institutions because of the way they allocate political power and resources. Thus, democracy is preferred by the majority of citizens but opposed by elites. Dictatorship, nevertheless, is not stable when citizens can threaten social disorder and revolution. In response, when the costs of repression are sufficiently high and promises of concessions are not credible, elites may be forced to create democracy. By democratizing, elites credibly transfer political power to the citizens, ensuring social stability. Democracy consolidates when elites do not have a strong incentive to overthrow it. These processes depend on (1) the strength of civil society, (2) the structure of political institutions, (3) the nature of political and economic crises, (4) the level of economic inequality, (5) the structure of the economy, and (6) the form and extent of globalization.

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To the memory of my parents, Kevork and Irma, who invested so much in me.
To my love, Asu, who has been my inspiration and companion throughout.
Daron Acemoglu

To the memory of my mother, from whom I inherited my passion for books
and my indignation at the injustices of this life. To the memory of my father,
from whom I inherited my fascination for science and my curiosity about this
extraordinary world.
James A. Robinson

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Preface

A fundamental question in political science and political economy is which factors determine the institutions of collective decision making (i.e., the “political institutions”). In tackling this question, a natural initial distinction is between democratic and nondemocratic institutions. Why is it that some countries are democracies, where there are regular and free elections and politicians are accountable to citizens, whereas other countries are not?

There are a number of salient empirical patterns and puzzles relevant to answering this question. For instance, while the United States moved very early toward universal white male suffrage, which was attained by the early 1820s by northern and western states and by the late 1840s for all states in the Union, such a pattern was not universal in the Americas. Elsewhere, republican institutions with regular elections were the norm after countries gained independence from colonial powers such as Spain and Portugal, but suffrage restrictions and electoral corruption were much more important. The first Latin American countries to implement effective, relatively noncorrupt universal male suffrage were Argentina and Uruguay in 1912 and 1919, respectively, but others, such as El Salvador and Paraguay, did not do so until the 1990s – almost a century and a half after the United States.

Not only is there great variation in the timing of democratization, there also are significant qualitative differences in the form that political development took. Democracy was created, at least for white males, with relatively little conflict in the United States and some Latin America countries, such as Costa Rica. In other places, however, democracy was often strenuously opposed and political elites instead engaged in mass repression to avoid having to share political power. In some cases, such as El Salvador, repression was ultimately abandoned and elites conceded democracy. In others, such as Cuba and Nicaragua, elites fought to the bitter end and were swept away by revolutions.

Once created, democracy does not necessarily consolidate. Although the United States experienced a gradual movement toward democracy with no reverses, a pattern shared by many Western European countries such as Britain and Sweden,

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democracy in other countries fell to coups. Argentina is perhaps the most extreme example of this: the political regime switched backwards and forwards between democracy and nondemocracy throughout most of the twentieth century.

What determines whether a country is a democracy? Which factors can explain the patterns of democratization we observe? Why did the United States attain universal male suffrage more than a century before many Latin American countries? Why, once created, did democracy persist and consolidate in some countries, such as Britain, Sweden, and the United States, and collapse in others, such as Argentina, Brazil, and Chile?

In this book, we propose a framework for analyzing the creation and consolidation of democracy that we use to provide tentative answers to some of these questions.

The framework has the following three fundamental building blocks:

1. Our approach is “economic-based” in the sense that we stress individual economic incentives as determining political attitudes, and we assume people behave strategically in the sense of game theory.
2. We emphasize the fundamental importance of conflict. Different groups, sometimes social classes, have opposing interests over political outcomes, and these translate into opposing interests over the form of political institutions, which determine the political outcomes.
3. Political institutions play a central role in solving problems of commitment by affecting the future distribution of *de jure* political power.

To starkly illustrate our framework, consider a society in which there are two groups: an elite and the citizens. Nondemocracy is rule by the elite; democracy is rule by the more numerous groups who constitute the majority – in this case, the citizens. In nondemocracy, the elite get the policies it wants; in democracy, the citizens have more power to get what they want. Because the elite loses under democracy, it naturally has an incentive to oppose or subvert it; yet, most democracies arise when they are created by the elite.

Why does a nondemocratic elite ever democratize? Since democracy will bring a shift of power in favor of the citizens, why would the elite ever create such a set of institutions? We argue that this only occurs because the disenfranchised citizens can threaten the elite and force it to make concessions. These threats can take the form of strikes, demonstrations, riots, and – in the limit – a revolution. Because these actions impose costs on the elite, it will try to prevent them. It can do so by making concessions, by using repression to stop social unrest and revolution, or by giving away its political power and democratizing. Nevertheless, repression is often sufficiently costly that it is not an attractive option for elites. Concessions may take several forms – particularly policies that are preferred by the citizens, such as asset or income redistribution – and are likely to be less costly for the elite than conceding democracy.

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The key to the emergence of democracy is the observation that because policy concessions keep political power in the hands of the elite, there is no guarantee that it will not renege on its promises. Imagine that there is a relatively transitory situation in which it is advantageous for the citizens to contest power. Such a situation may arise because of wars or shocks to the economy, such as a harvest failure, a collapse in the terms of trade, or a depression. If repression is too costly, the elite would like to buy off the citizens with promises of policy concessions – for example, income redistribution. However, by its very nature, the window of opportunity for contesting power is transitory and will disappear in the future, and it will be relatively easy for the elite to renege on any promises it makes. Anticipating this, the citizens may be unsatisfied with the offer of policy concessions under unchanged political institutions and may choose to revolt.

In our framework, the key problem is that the politically powerful cannot necessarily commit to future policy decisions unless they reduce their political power. Democracy then arises as a credible commitment to pro-citizen policies (e.g., high taxation) by transferring political power between groups (from the elite to the citizens). Democratization is more of a credible commitment than mere promises because it is associated with a set of institutions and greater involvement by the citizens and is therefore more difficult to reverse. The elite must democratize – create a credible commitment to future majoritarian policies – if it wishes to avoid more radical outcomes.

The logic underlying coups against democracy is similar to that underlying democratizations. In democracy, minority groups (e.g., various types of elites) may have an incentive to mount a coup and create a set of more preferable institutions. Yet, if there is a coup threat, why cannot democracy be defended by offering concessions? Democrats will certainly try to do this, but the issue of credibility is again central. If the threat of a coup is transitory, then promises to make policies less pro-majority may not be credible. The only way to credibly change policies is to change the distribution of political power, and this can only be achieved by institutional change – a coup or, more generally, transition to a less democratic regime.

The main contribution of our book is to offer a unified framework for understanding the creation and consolidation of democracy. This framework, in particular, highlights why a change in political institutions is fundamentally different from policy concessions within the context of a nondemocratic regime. An important by-product of this framework is a relatively rich set of implications about the circumstances under which democracy arises and persists. Our framework emphasizes that democracy is more likely to be created:

- when there is sufficient social unrest in a nondemocratic regime that cannot be defused by limited concessions and promises of pro-citizen policies. Whether or not this is so, in turn, depends on the living conditions of the citizens in non-democracy, the strength of civil society, the nature of the collective-action problem facing the citizens in a nondemocracy, and the details of nondemocratic

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political institutions that determine what types of promises by the elite could be credible; and

- when the costs of democracy anticipated by the elite are limited, so that it is not tempted to use repression to deal with the discontent of the citizens under the nondemocratic regime. These costs may be high when inequality is high, when the assets of the elite can be taxed or redistributed easily, when the elite has a lot to lose from a change in economic institutions, and when it is not possible to manipulate the form of the nascent democratic institutions to limit the extent to which democracy is inimical to the interests of the elite.

Similarly, these factors also influence whether, once created, democracy is likely to survive. For example, greater inequality, greater importance of land and other easily taxable assets in the portfolio of the elite, and the absence of democratic institutions that can avoid extreme populist policies are more likely to destabilize democracy.

Beyond these comparative static results, our hope is that the framework we present here is both sufficiently rich and tractable that others can use parts of it to address new questions and generate other comparative statics related to democracy and other political institutions.

The topics we address in this book are at the heart of political science, particularly comparative politics, and of political economy. Nevertheless, the questions we ask are rarely addressed using the type of formal models that we use in this book. We believe that there is a huge payoff to developing the types of analyses that we propose in this book and, to that end, we have tried to make the exposition both simple and readable, as well as accessible to scholars and graduate students in political science. To make the book as self-contained as possible, in Chapter 4 we added an introductory treatment of the approaches to modeling democratic politics that we use in the analysis. Although the analysis is of most direct interest and generally accessible to political scientists, we hope that there is a lot of material useful for advanced undergraduates, graduate students, and academics in economics interested in political economy. In fact, one of the authors has taught parts of this book in a graduate-level economics course.

The main prerequisite for following the entire content of the book is a knowledge of basic ideas from complete information game theory at the level of Gibbons (1992). Nevertheless, we have designed the first two chapters to be a generally comprehensible and nonmathematical exposition of the questions we address and the answers we propose.

In writing this book, we incurred many debts. During the eight-year period that we worked on these topics, we gave many seminars on our research from Singapore to Mauritius, from Oslo to Buenos Aires and Bogotá. Many scholars made suggestions and gave us invaluable ideas and leads, and we apologize for not being able to remember all of them. However, we would like to mention several scholars whose unflagging enthusiasm for this research greatly encouraged us at

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