

Chapter 4

Wealth and democracy

Can formal democratic institutions succeed if they are built in societies with inhospitable social and economic conditions? In particular, will attempts to hold competitive elections fail to strengthen democracy in poor and divided nation states, as well as in regions such as the Middle East which are dominated by autocracy? Skeptics point to an earlier wave of institution building, when European-style parliaments were transplanted to many African societies during the era of decolonization, including in Benin and Togo, only to collapse as the military usurped their powers.¹ We first need to establish the influence of certain underlying economic and social conditions on democratic consolidation before proceeding to examine the impact of power-sharing institutions in subsequent chapters. As Dahl points out, where the underlying conditions are highly unfavorable, then it is improbable that democracy could be preserved by any constitutional design. By contrast, if the underlying conditions are highly favorable, then democratic consolidation is likely with almost any constitution.² But many cases fall into the muddy middle-ground. The analysis of cross-sectional time-series data illuminates the general patterns and what conditions count, focusing upon examining the role of wealth, the size of nation states, colonial legacies, regional diffusion, and the degree of ethnic heterogeneity. Each of these factors can be regarded as 'structural' constraints on political development, meaning that it is difficult for domestic policymakers or the international community to alter these conditions in the medium to short-term, if at all; for example countries cannot change their histories or chose their neighboring states, although they can attempt to grow their economy. The East Asian cases of South Korea and Singapore provide further insights into how certain structural factors facilitate, but do not determine, democratic consolidation. Both Asian societies have experienced rapidly economic transformation in recent decades, yet South Korea has adopted multiparty elections and strengthened human rights, with the regimes rated by Freedom House as equivalent to Greece or Israel, while Singapore is rated only 'partly free' by Freedom House. The contrasts help to explain the strengths – and limits – of socioeconomic explanations of democratization.

Theories of wealth and democracy

The proposition that wealthy societies are usually also more democratic has a long lineage. Political philosophers have suggested this proposition, for example John Stuart Mill, reflecting upon the British colonies, theorized that democracy was not suitable for all nation states.³ Exactly a century later, the political sociologist Seymour Martin Lipset laid the groundwork for the systematic empirical analysis of the complex relationship between wealth and democracy.⁴ The original claim, subsequently referred to as the Lipset hypothesis, specified that: "*The more well-to-do a nation, the greater the chances that it will sustain democracy.*"⁵ Development consolidates democracy, Lipset theorized, by expanding levels of literacy, schooling

and media access, broadening the middle classes, reducing the extremes of poverty, facilitating intermediary organizations such as labor unions and voluntary organizations, and promoting the values of legitimacy and social tolerance. The shift from agrarian to industrial capitalist production was thought to weaken the power of the traditional landed estates. Newly-unionized urban workers and the middle class professional groups each mobilized around parties reflecting their interests and demanded access to the voting franchise. Lipset emphasized that extreme social inequality maintained oligarchy or tyranny, but more egalitarian conditions, and in particular the expansion of the educated middle class, facilitated moderation and mass participation: “*Only in a wealthy society in which relatively few citizens lived in real poverty could a situation exist in which the mass of the population could intelligently participate in politics and could develop the self-restraint necessary to avoid succumbing to the appeals of irresponsible demagogues.*”⁶ Dankwart Rustow reinforced the argument that the transition to democracy could be attributed to a predictable series of social changes accompanying economic development and societal modernization, as predicted by measures such as per capita energy consumption, literacy, school enrollments, urbanization, life expectancy, infant mortality, the size of the industrial workforce, newspaper circulation, and radio and television ownership.⁷

Following in the footsteps of Lipset and Rustow, the relationship between wealth and democracy has been subject to rigorous empirical inquiry. For more than half a century the association has withstood repeated empirical tests under a variety of different conditions, using cross-sectional and time-series data with a large sample of countries and years, and with increasingly sophisticated statistical tests, as well as in many historical accounts of political developments within particular nation states. Many have reported that wealth is associated with the standard indicators of democratization, although the precise estimates of effects are sensitive to each study’s choice of time-period, the selection of control variables specified in causal models, and the basic measurement of both democracy and economic growth.⁸ The Lipset hypothesis has been confirmed by studies conducted by Jackman (1973), Bollen (1979, 1983), Bollen and Jackman (1985), Brunk, Caldeira and Lewis-Beck (1987), Buckhart and Lewis-Beck (1994), Vanhanen (1997), Barro (1999), and Przeworski, Alvarez, Cheibub and Limongi 2000, among others, as well as more recent work by Lipset (1993, 2004).⁹

Adam Przeworski, Michael Alvarez, José Antonio Cheibub, and Fernando Limongi provide the most thorough recent analysis which compared the experience of economic and political development in 141 countries from 1950 to 1990, in a pooled sample where the unit of analysis was the country-year.¹⁰ Democratic and autocratic regimes were classified by electoral contestation, based on the Schumpeterian rules discussed in chapter 2.¹¹ Przeworski et al confirmed the conventional empirical observation that wealthier countries were more likely to sustain democracy. But the authors emphasized that this relationship operated through a threshold effect, rather than as a linear process. Above a certain minimal level of economic

development (estimated at a GDP per capita of around \$4000), they argue, democracies are impregnable and endure. Below this level, the study found that democracies may prosper or they may falter and die. Wealth remained strongly related to democracy even after controlling for levels of ethnic fractionalization, the predominant type of religion, the type of colonial legacies in each society, and the type of presidential or parliamentary executive. Przeworski et al also found that the reverse relationship did not hold, that is, democracies were no better (and no worse) than dictatorships at generating economic growth.¹² Przeworski et al concluded that wealth therefore helps to sustain and consolidate democracy, but gradual economic growth does not create a transition from autocracy. Indeed the authors remain strictly agnostic about the multiple contingent reasons why autocracies may fail, whether triggered by the death of a dictator, external military intervention, regional contagions, domestic economic crisis, a military coup, people power uprising, or many other particular events. This is an equifinal event, they imply, where the same result can be produced by various causes. Despite establishing the strong correlation between wealth and democracy, the authors remain agnostic about the precise causal mechanisms underlying this relationship, as well as the policy implications.

The claim that wealth sustains democracy has therefore become one of the most widely recognized generalizations in the social sciences but nevertheless it is important to test whether this relationship is confirmed by the dataset used in this study because, although often replicated, certain issues remain unresolved in the previous literature. In particular, the relationship between wealth and democracy is probabilistic and even a casual glance at the standard indicators reveals many important outliers. Affluent autocracies are exemplified by Singapore, Saudi Arabia, and Kuwait, with high per capita GDP, and today there are also many poor democracies such as Benin, Ghana, Costa Rica, Nepal, Hungary, and Turkey, plus the classic case of India. These outliers suggest that economic development is neither necessary nor sufficient for democratization. The exceptions to the rule can provide important insights, both for scholars and for policymakers, into the precise conditions under which this relationship fails to operate. As well as highlighting and scrutinizing cases which do not fit the Lipset hypotheses, the analysis needs to be updated to take account of dramatic developments occurring in the post-Cold War world. Most previous research has only examined the evidence in the period prior to the early-1990s, so the contemporary pattern needs analyzing to see whether the correlation has weakened during recent years, particularly if many low-income nation states in Africa and Asia have managed to sustain substantial gains in human rights and civil liberties during the last decade, as some suggest.¹³ The Latin American experience since World War II is also thought to undermine the claim that economic development is a determinant cause of democratic change.¹⁴

Equally important, for those interested in political institutions, previous econometric models are also commonly under-specified. Many fail to consider the impact of a wide range of institutional variations in democratic and autocratic regimes, central to the consociational thesis,

for example, Przeworski et al do not control for the effects of the type of electoral system or federal arrangements. Questions also remain about the most appropriate interpretation of the direction of causality in any relationship between wealth, political institutions, and democratic consolidation. In the standard view, economic factors are usually regarded as endogenous, the foundation upon which democratic regimes arise as superstructure. But it is equally plausible to assume, as Perrson and Tabellini argue, that constitutional arrangements such as electoral systems and the incidence of coalition government have the capacity to influence economic policies and economic performance, for example patterns of government spending, budget deficits, and labor productivity, and thus patterns of socioeconomic development.¹⁵ This argument reverses the assumed direction of causality, as certain types of democratic institutions may impact upon a country's stock of wealth, as well as its level of democracy. For all these reasons, we need to unpack the correlation between wealth and democracy to understand the conditions under which the relationship does, and does not, hold.

Evidence of the relationship between wealth and democracy

Before considering the evidence, we first need to determine the best way to model the association between wealth and democracy. Scholars differ as to whether this should be understood as a linear pattern (implying that progressive economic development gradually leads eventually to growing democratization), a logarithmic relationship (suggesting that the early stages of industrial development are the most important for democracy), a stepped-shift (a threshold effect, where democracy is stabilized above a certain level of income), or a more complex 'N' curve (related to stages of agricultural and industrial development, exemplified by O'Donnell's argument that democracies in South America are most common in societies at intermediate levels of development.)¹⁶ A curve-fit regression model was used to explore the best way to model the relationship between wealth (measured by per capita GDP in current US\$) and the Freedom House measure of liberal democracy, comparing the results of alternative linear, logarithmic, quadratic, cubic and power transformations. The curve-fit results suggested that a logarithmic relationship provided the best fit of the data, and accordingly a natural log transformation of per capita GDP was selected for subsequent analysis.

Wealth and democracy

As a first visual eye-balling of the evidence, Figure 4.1 illustrates the relationship between wealth (measured by logged per capita GDP in Purchasing Power Parity) and democracy (measured by the standardized 100-point Freedom House measure of Liberal Democracy, ranging from low (0) to high (100)). For comparison of the strength of the relationship over time, the correlations are shown in selected years every decade, namely in 1973, 1980, 1990 and 2000. The simple correlations, without any prior controls, show that the relationship remains moderately strong and significant in each year. Far from weakening, the relationship between

wealth and democracy (measured by the R^2) strengthened in more recent years. Many countries cluster on the diagonal, meaning that greater wealth is associated with stronger political rights and civil liberties. But there are also clear groups of outliers; notably the rich Arab autocracies in the bottom right corner, as exemplified by the United Arab Emirates, Saudi Arabia, and Bahrain. At the same time a scatter of poor democracies are located in the top left corner, for example Jamaica, Costa Rica, and Gambia in 1973, Nigeria and Nepal in 1980, Senegal and the Solomon Islands in 1990, and Benin and Malawi in 2000.

[Figure 4.1 about here]

Multivariate analysis is needed, including a series of structural controls, for more reliable and systematic analysis of the patterns. Table 4.1 provides estimates for the impact of wealth (measured as above) on democracy. The models use cross-sectional time-series (CSTS) data where the country-year is the unit of analysis. Ordinary Least Squares regression analysis is employed with panel-corrected standard errors, which Beck and Katz suggest is the most appropriate way to model this type of data.¹⁷ The estimates are run for all four standardized 100-point scales of democracy, to test whether the results remain robust irrespective of the particular indicator selected for analysis. The standardized scales facilitate comparison across the results of each indicator, as well as simplifying the interpretation of substantive meaning of the beta coefficients. The democracy scales are each lagged by one year, which Beck recommends as a simple way to model the dynamics.¹⁸

The models monitor the impact of the *size of the population* and the *physical area* of each country. Ever since Dahl and Tufté, the idea that size matters for democracy has been widely assumed, and Alesina and Spolaore have provided the most detailed recent examination of this proposition.¹⁹ Smaller nation states, both in physical geography and in the number of citizens, are expected to be easier to govern democratically, for example the smaller the state, the greater the potential for citizen participation in key decisions. The physical and population size of states can be regarded as structural conditions which are endogenous both to economic growth and to democracy. Indeed it is hard to imagine a variable which is more immutable than geography; at least in peace-time, the physical boundaries of a nation-state are rarely altered historically except through cases of annexation or merger with neighboring territories (as occurred in East and West Germany), or the dissolution of federal states and associations (such as the break-up of the USSR and the Former Republic of Yugoslavia, and the independence from Indonesia gained by East Timor). In the long-term, government policy can also attempt to modify the size of the population, whether through the availability of contraception and abortion, or through implementing welfare incentives to either restrict or boost fertility rates. But the impact of such policies on basic demographic trends of fertility and mortality rates is expected to be relatively

modest and slow. To explore the effects of size on democracy, the models entered the total population per annum and the physical size of each country (in square miles).

The study also tests the effects of the *historical pattern of colonial legacies*. An association between the past type of colonial rule and contemporary patterns of democracy has been noted by several observers; for example Clague, Gleason and Knack report that lasting democracies (characterized by contestation for government office) are most likely to emerge and persist among poor nation states in ex-British colonies, even controlling for levels of economic development, ethnic diversity, and the size of the population²⁰. Under British rule, they suggest, colonies such as Canada, Australia, and India gained experience with electoral, legislative and judicial institutions, in contrast with countries under French or Spanish rule. Arguing along similar lines, Lipset and Lakin also suggest that what mattered in ex-colonial states was whether the previous occupying power was itself democratic.²¹ Settlers in the British colonies, they argue, inherited a pluralist and individualist culture, and legislative institutions of self-government, which would prove critical to the development of democracy, notably in the United States, Canada, India and New Zealand. By contrast, colonists in Latin America were strongly influenced by the Spanish and Portuguese culture, with a more centrally-controlled, hierarchical and paternalistic form of rule, at a time when the Spanish monarchy had few institutionalized checks on their power. To examine the path-dependent role of colonial legacies, countries are coded for whether they were ex-British colonies or not.

The models also examine the impact of *regional patterns of democratic diffusion*; Starr and Lindborg emphasize the influence of regime transitions experienced by states within each world region, most dramatically exemplified by the rapid downfall of dictators and the spread of multiparty elections in Central Europe following the fall of the Berlin Wall and the collapse of the Soviet grip over states.²² Another example would be the November 2003 people-power rose revolution that deposed veteran president Eduard Shevardnadze in Georgia, which seems to have inspired the orange revolution which followed the next year in Ukraine. It is suggested that countries learn from each other, particularly where there is a shared culture and language, and this is particularly important for regional hegemonic powers which influence their neighbors, such as the role of the United States in Latin America. Another example concerns the growth of democracy in post-apartheid South Africa, which may have helped to shape politics among neighboring states in the southern cone. Conversely, despite some recent moves towards liberalization, the predominance of a variety of autocratic regimes throughout the Arab world also suggests a regional effect.²³ To examine their impact, regional factors are measured in two ways. For diffusion effects, the mean strength of democracy (measured by each of the four indicators used in this study) is entered into the models. In addition, since the Middle East seems to be the region most isolated from democratic developments elsewhere, this region is entered as a dummy variable.

Lastly, the degree of *ethnic heterogeneity* is also entered into the models, on the grounds that deeply-divided societies are widely assumed to experience greater problems of democratic consolidation. As discussed in chapter 2, one of the most complex issues facing empirical research on consociationalism concerns the most appropriate concept and measurement of ethnic fractionalization and the available data to estimate ethnic identities is often limited and unreliable.²⁴ The models compare systematic cross-national evidence worldwide by classifying nation states according to the degree of ethnic fractionalization, based on a global dataset created by Alesina and his colleagues.²⁵ It needs to be emphasized that this index estimates the objective distribution of different linguistic and religious groups in the population, but it does not seek to measure the subjective meaning or the political importance of these forms of identity. Thus plural societies may have multiparty competition which closely reflects divisions into multiple languages and religions, or they may have a few large parties where these social identities are less salient political cleavages. In the long-term, the objective distribution of ethno-linguistic and ethno-religious groups in the population can be strongly shaped by government policies, and thus reinforced or weakened by political actors, for example by language policy used to determine the school curricula or by the degree of religious freedom and by official subsidies for established religions. As a constructionist perspective emphasizes, the social meaning and political relevance of these ethnic identities can also be reinforced by rhetorical appeals and party platforms which focus on these forms of identity. Nevertheless in the short-term the distribution of the linguistic and religious populations can be regarded as endogenous constraints on political developments. The relationship between ethnicity, economic development, and democracy also commonly remains under-theorized. Economists have demonstrated that ethnic fractionalization has a direct relationship to economic growth; Easterly and Levine found that more ethnically-divided societies in sub-Saharan Africa were also characterized by greater poverty, low schooling, political instability, underdeveloped financial systems, distorted foreign exchange markets, high government deficits, and insufficient infrastructure.²⁶ It is commonly assumed that ethnic fractionalization has a direct impact upon democracy (for example by producing greater inter-communal violence and instability). What remains unclear is whether ethnicity also has an indirect impact (by lowering economic growth and therefore undermining the social conditions thought conducive to democracy).

[Table 4.1 about here]

The results of the analysis presented in Table 4.1 confirm that wealth (log GDP per capita) was significantly and positively associated with each measure of democracy, as many others have found. The unstandardized beta coefficient estimating the impact of wealth on democracy proved significant across each of the OLS models. Moreover each of the structural controls (except physical size) also proved significant and with signs pointing in the expected direction; hence democracy was usually more probable in countries which shared an ex-British

colonial legacy, in regions which had seen the spread of democracy and in states outside of the Middle East, in ethnically homogeneous societies, and in countries with smaller populations. Contrary to our initial assumption, however, geographically larger countries proved slightly more democratic than physically smaller states. These coefficients proved consistent across each indicator of democracy, lending greater confidence to the results, which remain robust independent of their specific measurement. The models explained between half and two-thirds of the variance in democratization across the comparison, suggesting a relatively good fit although, as observed earlier, many outlier cases can also be found among both rich autocracies and poor democracies.

Human capital and democracy

Despite confirming the previous literature, the meaning and interpretation of the commonly-observed relationship between wealth and democracy continues to generate heated debate.²⁷ We still understand remarkably little about the underlying causal mechanisms which are at work. Is it widespread literacy among the population which is critical, and thus the spread of education and the availability of mass communications, as Lipset and Rustow originally emphasized? Or does the relationship depend upon the social structure and inequalities among classes, as others suggest? Rueschemeyer, Stephens and Stephens argue that industrialization reduced the power of the landed gentry in comparison with the middle classes and the organized working class.²⁸ More egalitarian societies, with a growing middle class, are also thought to provide the stability most conducive to successful and enduring political liberalization.²⁹ The organizational capacity of the middle classes and urban working-class may function as a buffer between citizens and the state. Or alternatively is it the effects of industrialization processes more generally, as world trade in manufactured goods generates greater international contact and openness with the global economy, and thus pressures on states to conform to international standards of human rights and political liberties?

[Table 4.2 about here]

The limited time-series data measuring cross-national patterns of economic inequality, social status and occupational class with any degree of reliability prevents us from examining the impact of these plausible candidates on the growth of democracy. Nevertheless we can look at the evidence testing the original Lipset hypothesis which placed considerable emphasis on the role of human capital in the democratization process, a pattern also suggested by Borro.³⁰ In particular we can see whether democracy is associated with growing levels of literacy and schooling (measured by the number of secondary school enrollments per capita). Due to problems of multicollinearity and problems of missing data, it is not possible to test the combined effects of wealth, education, and literacy on democracy, but each of these can be entered into separate models. As shown in Table 4.2, the results of the analysis suggest that each of these

factors proves significant predictors of levels of democratization, with the overall fit of the model strengthening slightly through the role of education. This suggests that societies which invest in the human capital of their populations are more likely to sustain democratic regimes, as literacy and education help to generate the access to political information and the cognitive skills needed to process this information. The results therefore serve to confirm the findings reported in much of the previous literature, irrespective of the indicator of democracy which is selected for analysis. The findings also strongly suggest that any subsequent models estimating the impact of political institutions on democratic consolidation will only be properly specified if they incorporate this range of structural conditions, understood as prior controls.

The cases of South Korea and Singapore

Yet although wealth is strongly related to democracy, as we have seen there remain many important outliers to this relationship. What explains these countries? The cases of South Korea and Singapore help to illustrate the nature of this relationship and also the limitations of economic explanations to account for important outliers. These divergent cases both experienced rapid economic development until today they are among some of the most affluent in the world; according to the 2005 UNDP Human Development Index (measuring income, education/literacy, and longevity), Singapore ranks 25th and South Korea ranks 28th out of 177 nation states (see Table 4.3). Yet one remains a one-party autocracy today, while the other has shifted since 1987 from a military-dictatorship to consolidate a multiparty democracy. Why the contrasts?

South Korea

If any country best exemplifies the Lipset hypothesis, South Korea should be it. The Republic of Korea was established under the presidency of Syngman Rhee after World War II in the southern half of the Korean peninsula while a communist regime under Kim Il Sung was installed in the north. The Korean War (1950-53) resulted in an armistice which split the peninsula with a demilitarized zone along the 38th parallel. Once a country of rice-farmers and peasants, since the early-1960s South Korea experienced rapid industrialization, emphasizing the manufacture of consumer electronics and automobiles, becoming the 10th largest economy in the world today. The country has few natural mineral resources and the engine of growth is therefore highly dependent upon trade and exports. Citizens have enjoyed growing affluence; the per capita GDP quadrupled from about \$4000 in 1975 to around \$18,000 in 2005 (see Figure 4.2), driven by a remarkable average annual economic growth rate of 6.1% during this period.³¹ Economic growth was accompanied by rising living standards and educational levels, urbanization and human development, as well as the widespread diffusion of new information and communication technologies. A relatively homogeneous society, with the exception of a very small minority of ethnic Chinese, the country shares a common language and religious affiliations are spread among many faiths, including Buddhists, Christians, Confucians and shamanism.

[Figure 4.2 and Table 4.3 about here]

Within this context, the Lipset hypothesis predicts that the transformation of the Korean economy and society, including the expansion of the urban workers and service-sector professional middle class, would gradually generate the underlying conditions most suitable for democratic consolidation. After the end of the war, South Korea was ruled by an unstable autocracy, under a succession of military-backed dictators; President Syngman Rhee resigned in 1960 following a student-led uprising, replaced by Chang Myon who fell after a year due to a military coup led by Major General Park Chung-hee, before Park was in turn assassinated in 1979. Lieutenant General Chun Doo Hwan declared martial law and seized power until 1987, when pro-democracy activists and waves of student demonstrators forced concessions from the government, including restoration of direct presidential elections.³² The 1987 contest elected a former general, Roh Tae-woo, to the presidency and he was succeeded in a peaceful transition in 1992 by Kim Young-sam, representing the first civilian elected president in 32 years. The 1997 elections saw a further step towards democracy, as the opposition leader, Kim Dae-jung, succeeded to power, followed by the election of the human rights advocate, President Roh Moo-hyan, in 2002. President Roh was a prominent figure in the 1987 pro-democracy movement and he had been briefly jailed for his activities.

The Sixth Republic Korean constitution, last modified in October 1987, established a strong directly-elected presidency (using a simple plurality system), limited to a single 5-year term. The executive is counter-balanced by a National Assembly which plays a more minor role in political decisions. Members are elected using a combined-dependent electoral system, where 243 representatives are elected in single-member constituencies while the remaining 46 are elected from nation-wide proportional representation party lists, using a simple Hare quota. The party list seats are allocated using a complicated formula which reinforces the seat allocation for larger parties, making the system less proportional than the combined-dependent system used in Germany. The 2004 parliamentary elections in Korean resulted in the inclusion of five parties, with the Uri Party and the Grand National Party fairly evenly balanced as the two main players, and the president's party ranked well behind in 4th place. The main parties are organized around the predominant regional cleavage, rather than differing by ideology or policy, although elections have shifted from being purely personality-oriented towards reflecting an evaluation of the performance of the incumbent government. On average, the series of Assembly elections held under the Sixth constitution have produced an ENEP of 4.0 and an ENPP of 3.0.³³ National Assembly elections no longer guarantee a legislative majority for the president's party, providing a health counterbalance. The Supreme Court and a Constitutional Court are established as independent bodies, checking the power of the executive and legislature. There are multiple media news outlets, including more than 100 daily newspapers with local or national coverage, and there is free criticism of the government. In its 2005 Press Freedom Index, Reporters Without

Borders ranks South Korea 34th out of 167 nation states, similar to Australia, France and Japan.³⁴ The country has had problems of corruption, generating some well-known government scandals, but still in 2005 Transparency International's Corruption Perception Index placed South Korea 40th (tied with Hungary and Italy) out of 158 nation states.³⁵ Therefore the South Korean case serves to exemplify the relationship between growing levels of wealth and the subsequent consolidation of democracy; today the country is governed by a multi-party democracy rated 'free' by Freedom House, with political liberties and civil rights which are comparable to Greece, Bulgaria and South Africa.

Singapore

But what about Singapore? As one of the East Asian 'Four Tigers', along with South Korea, the economy has forged ahead to make the nation one of the most prosperous in the world. The economy has been built upon high-tech electronics and the service-sector, particularly finance, banking, investment, and trade. In 2005, Singapore produced a per capita GDP of around \$25,000 in 2005 (in PPP), similar to Italy and even more affluent than South Korea. The compact island nation contains just over 4 million people (compared with 48 million South Koreans), three-quarters of whom are ethnic Chinese, while the remainder are mainly Malay and Tamil Indian. The country is multilingual, divided among Malay, Chinese, Tamil and English. In terms of wealth and size, therefore, the underlying conditions for democratic consolidation are promising.

Yet the island-state remains a one-party predominant autocracy, which Freedom House rates as only partly free.³⁶ Indeed some observers suggest that the country has become more repressive of human rights even as it has become more prosperous, turning the Lipset hypothesis upside-down.³⁷ Moreover from the patterns observed earlier, given the underlying conditions, Singapore should be ripe for democracy: it is a compact island state without any threats to its borders, an ex-British colony, with low-to-moderate ethnic fractionalization. During the 19th century, the island grew in population and prosperity as a major port controlled first by the British East India Company and then, after 1867, directly from London as a crown colony as part of the Straights Settlement. After the end of World War II, demands for self-rule grew as part of the decolonization wave affecting the British Empire. In 1959, Singapore was granted full self-governance by the British authorities. In the parliamentary elections held in 1959, the People's Action Party (PAP), founded and led by Lee Kuan Yew, swept into power by winning 47% of the vote and three-quarters of all seats. Despite a regular series of multiparty contests challenging their hegemonic status, PAP has ruled continuously ever since, winning eleven successive general elections over almost half a century. The PAP has controlled parliament without effective challenge to their power, winning, on average, two-thirds of the vote but a remarkable 95% of all parliamentary seats in the series of parliamentary general elections held from 1959 to 2001 (see

Figure 4.4). This has effectively squeezed out any opposition MPs beyond an occasional token representative from the one of the parties of the left. The share of the vote won by PAP eroded slightly from 1984 to 1997, but they strengthened again in 2001. A majority of PAP candidates are returned unopposed.

[Figure 4.4 about here]

One reason for the ruling party's hegemony lies in the majoritarian electoral system which translates their share of the vote into an overwhelming majority in parliament. The unicameral parliament uses a combined-independent electoral system.³⁸ In the current parliament, nine members were elected from simple plurality single-member constituencies (First-Past-the-Post). In total, 75 other MPs were elected in a Block Vote system (termed locally 'Group Representation Constituencies') from 14 multimember districts, where parties field a list of three to six candidates. In these, the party with a simple plurality of votes in the district wins all the seats. The Block Vote system is designed to ensure the representation of members from the Malay, Indian and other minority communities, as each party list must include at least one candidate from these communities, encouraging parties to nominate ethnically-diverse lists. Another nine members of parliament can be nominated by the president from among the opposition parties, without standing for election. Another factor contributing to the ruling party's predominance is alleged gerrymandering and the redrawing of electoral districts just a few months before the general election. In particular, constituencies where the PAP did relatively badly in one contest have sometimes been systematically removed from the electoral map by the next election.³⁹

The 1965 constitution established a Westminster-style parliamentary democracy where the president, elected by parliament, used to be a largely-ceremonial head of state. The 1991 constitutional revision introduced a more powerful president where the office is directly elected through simple plurality vote. A contested election was held in 1993, but in 1999 and in 2005 the position was filled by President Sellapan Ramanathan, as all other nominated candidate were declared ineligible by the Presidential Election Committee. Candidates can be ruled out of the contest if the Committee judges that they are not 'a person of integrity, good character and reputation', amongst other stringent criteria. Nominees also must not be a member of the government or a current member of a political party. The president appoints the prime minister, the head of government, government ministers from among the members of parliament, and key members of the civil service, as well as exercising veto budgetary powers and other responsibilities. After leading the PAP in seven victorious elections since 1959, Lee Kuan Yew stepped down as prime minister in 1990, remaining 'Minister Mentor' in an advisory position but handing over to his PAP successor, Goh Chok Tong. After a series of PAP prime ministers, in 2004 the elder son of Lee Kuan Yew, Lee Hsien Loong, took office as part of a planned handover of power.

Another way in which PAP maintains control is through its influence over the judicial system, including suing opposition members for libel, interring opposition politicians without trial under the Internal Security Act, and requiring police permits to hold any kind of public talk, exhibition, or demonstration. The government also exercises strong control of the press and news media, for example the leading newspaper of Singapore, the *Straits Times*, is often perceived as a propaganda newspaper because it rarely criticizes government policy, and it covers little about the opposition. The owners of the paper, Singapore Press Holdings, have close links to the ruling party and the corporation has a virtual monopoly of the newspaper industry. Government censorship of journalism is common, using the threat or imposition of heavy fines or distribution bans imposed by the Media Development Authority, with these techniques also used against articles seen to be critical of the government published in the international press, including *The Economist* and *International Times Herald Tribune*. Internet access is regulated in Singapore, and private ownership of satellite dishes is not allowed. Due to this record, the Reporters Without Borders assessment of Press Freedom Worldwide in 2005 ranked Singapore 140th out of 167 nation states.

In short, compared with the situation in Togo discussed earlier, Singapore has not suffered the violent repression of opposition movements. Human rights agencies do not report cases of ballot stuffing, polling irregularities, tinkering with the electoral roll, or voter intimidation conducted in fraudulent elections by security forces. The administration of elections is widely regarded by election observers as free, fair, and well-organized, within the rules.⁴⁰ Singapore is governed by the rule of law, unlike Kerekou's reign of power in Togo. Indeed the government of Singapore can be admired as a model of technocratic efficiency, delivering effective public services such as housing and transport without the widespread corruption and abuse of public office which are characteristic of many autocracies. As Table 4.3 shows, compared with South Korea, Singapore is ranked far more positively on Kaufmann measures of government effectiveness, political stability, regulatory quality, control of corruption, and rule of law. In a country with minimal natural resources, Singapore has enjoyed considerable prosperity and security under PAP rule, with a free market liberal economy. Nevertheless, although a comfortable and affluent society, Singapore remains autocratic due to the hegemonic grip of the predominant ruling party, both in parliament and in government, the lack of effective checks and balances from opposition parties, and the severe restrictions on the news media. From the economic perspective, Singapore remains a puzzling outlier which fails to conform to the Lipset hypothesis. The general pattern observed worldwide suggests that certain socioeconomic and structural conditions usually prove favorable towards democracy, but they do not determine either the transition from autocracy or the steady consolidation of democracy. The contrasts observed in Singapore and South Korea strongly suggest the need to look more closely in subsequent chapters at the constitutional arrangements which may deter or sustain democracy.

Conclusions

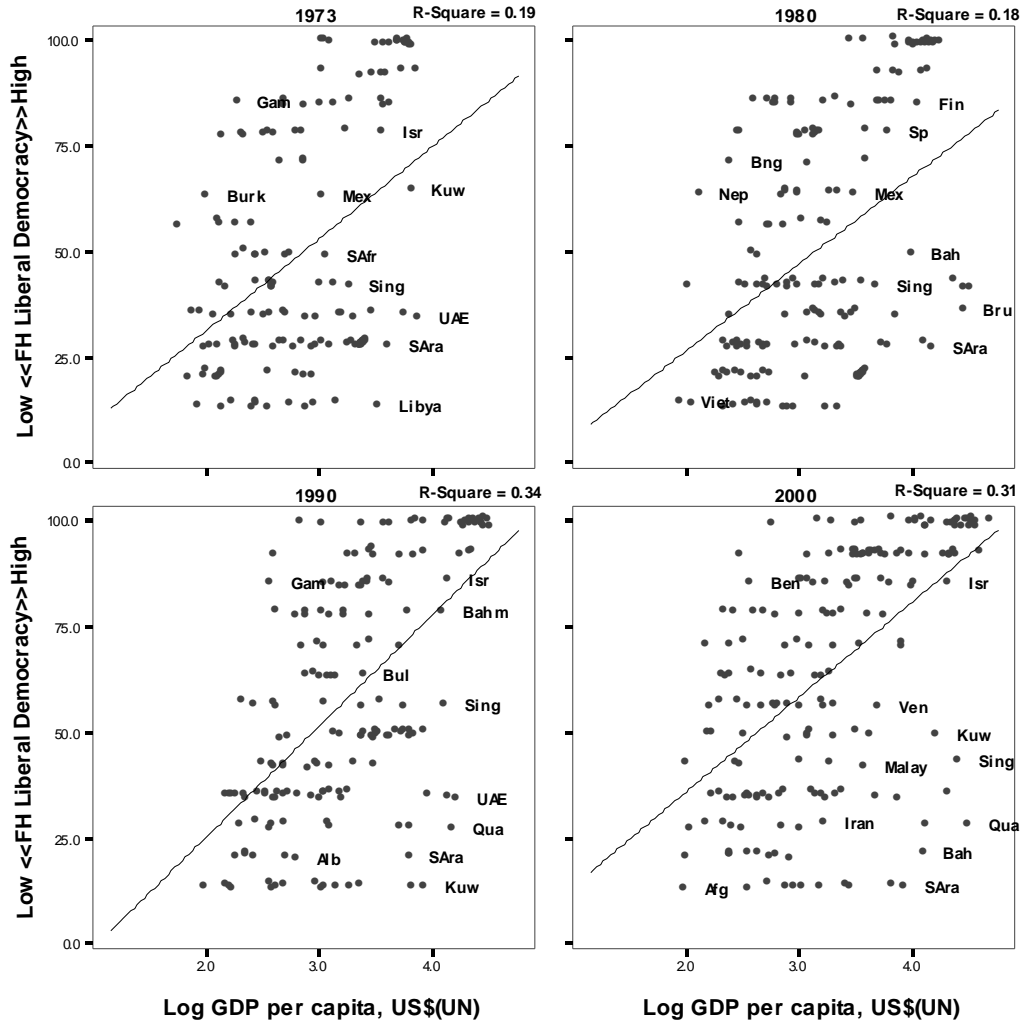
The claim that wealth sustains democracy has important implications for public policy and for attempts to promote both poverty alleviation and democracy by the international development community. Yet two alternative interpretations dominate the policy debate and it remains unclear which one is correct.

The ‘development first, democracy later’ approach draws the lesson that direct attempts at democratic constitution-building in poorer nation states may be premature and misguided, or at least a more risky investment, than similar attempts in wealthier nation states falling above the specified threshold. In this view, investments in election-building, strengthening the independent media, or fostering human rights face considerable odds of failure in poor countries such as Afghanistan, Iraq, Cambodia, and Indonesia. In particular, initiatives attempting to build democratic constitutions in poor countries may prove irrelevant (at best), or even harmful (at worst). A more prudent strategy for the international community would be to encourage human development and economic growth in these nation states, thus generating the social conditions conducive to sustaining democratic constitutions in the longer-term. The ‘development first’ thesis predicts slow progress in democratization in the poorest parts of the world such as in Sub-Saharan Africa, where half the population continues to live in extreme poverty, measured by the World Bank’s \$1 a day benchmark. There has been no sustained improvement in this situation since 1990; indeed poverty has worsened in many Africa states during this period due to an inadequate infrastructure, deep deficits in health and education, and severe income inequalities.⁴¹

By contrast, Halperin, Siegle and Weinstein argue that societies often remain poor under authoritarian regimes, and that low-income democracies out-perform low-income autocracies in social welfare. The ‘economic development first’ perspective, they suggest, runs the risk of perpetuating a cycle of economic stagnation as well as political oppression⁴². Instead, Halperin, Siegle and Weinstein argue, democracies bring internal checks and balances, making government more responsive to citizen’s needs, so that development aid is more efficiently distributed and poverty is alleviated more effectively. *“Citizens of democracies live longer, healthier, and more productive lives, on average, than those in autocracies...At every income level considered, democracies on the whole have consistently generated superior levels of social welfare.”*⁴³ In a related study, Kosack also found that development aid improves the quality of life in democracies, although it proves ineffective or even harmful in autocracies.⁴⁴ It follows that poorer autocracies such as Togo may be victims of a vicious circle, where aid fails to generate effective development, and without human development, societies remain under the grip of autocratic regimes. A clearer understanding of the drivers at work in the link between wealth and democracy would provide more informed decisions about the best investments in political development by the international community and by domestic reformers.

An extensive literature has confirmed the relationship between wealth and democratic consolidation in a variety of contexts and circumstances. The results of the analysis presented in this chapter lend further confirmation to the Lipset proposition that democracies usually flourish in more affluent economies. Democracies are also more likely to be found in countries with a British colonial heritage, in regions where there are many other democracies and outside of the Middle East, in more homogeneous societies, and in less populous nation states. Nevertheless the relationship between the underlying characteristics and the type of regime remains probabilistic explaining, at most, between one half to two-thirds of the variance in democratization found during the third wave period. The case of South Korea plausibly fits the Lipset theory but, as Singapore shows, many important outliers remain. The key question which remains is whether, even with this battery of controls, political institutions also play an important role in sustaining democracy. On this foundation, we can proceed to explore the factors which consociational theory emphasizes as important for democratic consolidation, the heart of this book, starting with one of the most fundamental, the choice of an electoral system.

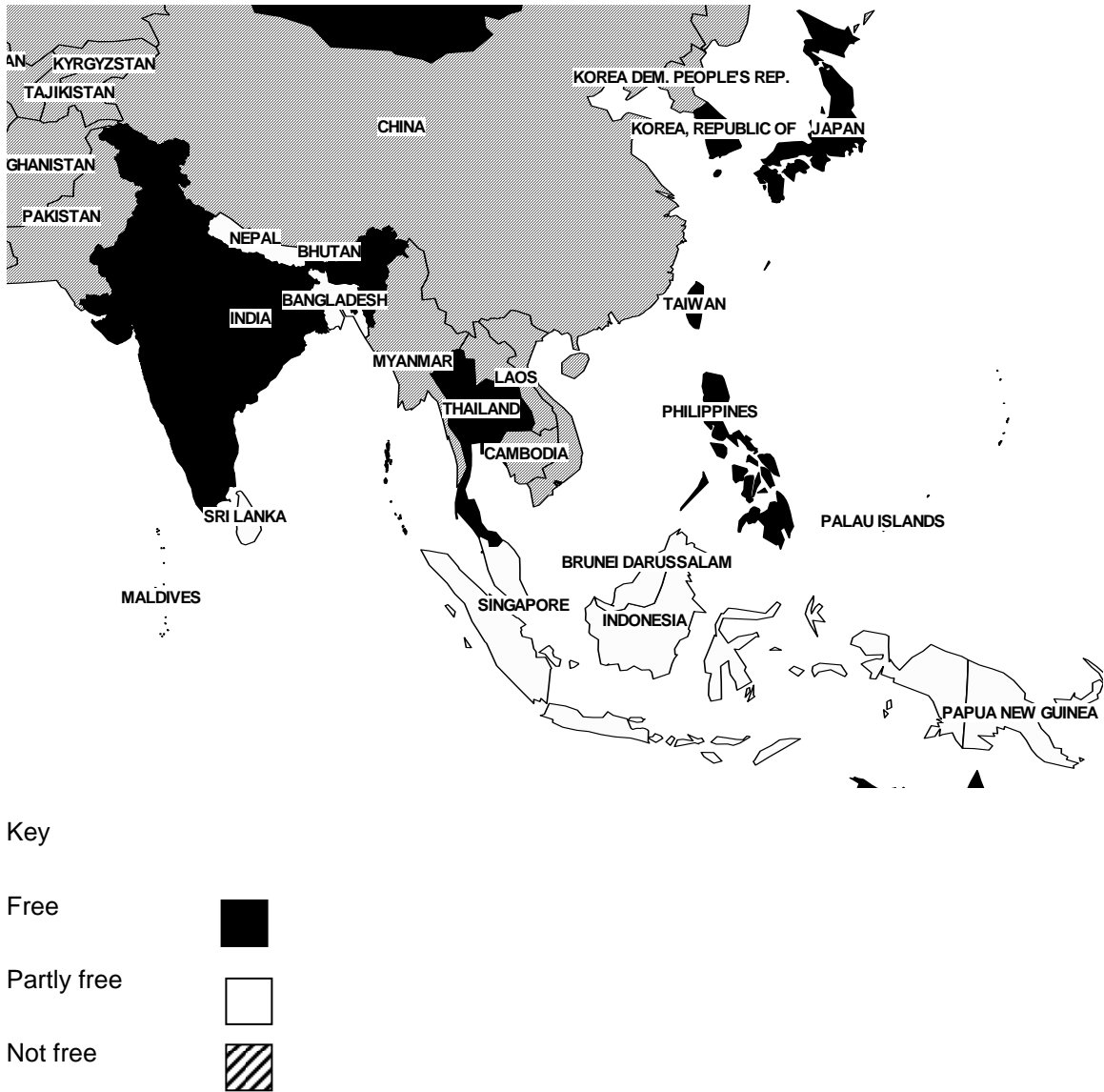
Figure 4.1: Wealth and FH Liberal Democracy, 1973-2000



Note: The figures shows the mean standardized Liberal Democracy 100-point scale by Freedom House, and the logged per capita GDP in current prices (United Nations), for the selected years, 1973, 1980, 1990 and 2000. The R^2 summarizes the strength of the relationship in each year.

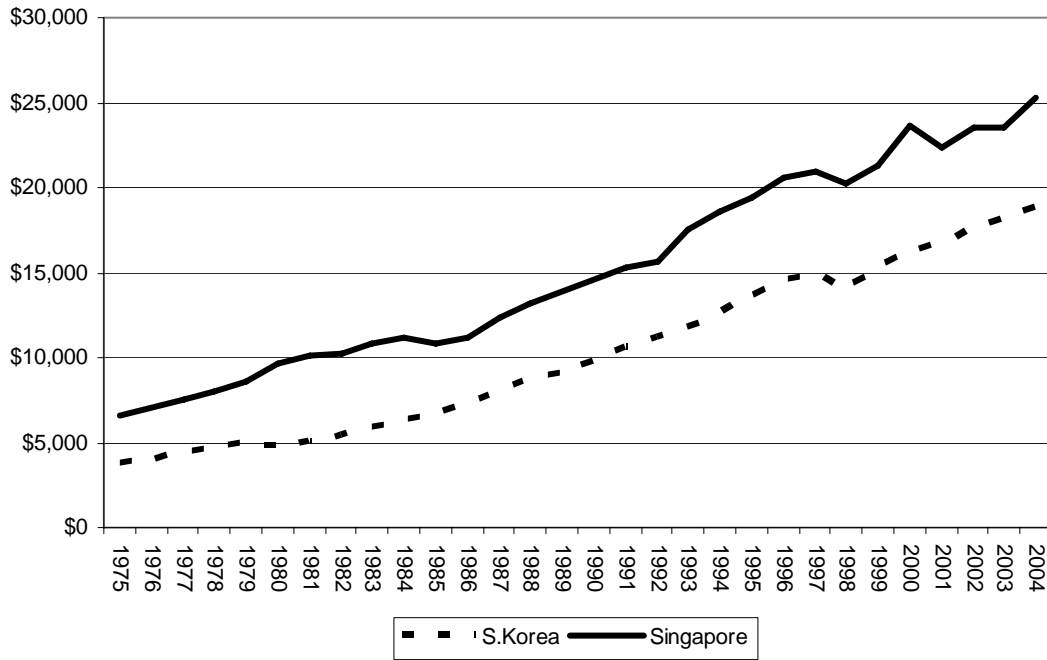
Source: Freedom House *Freedom Around the World* www.freedomhouse.org; United Nations Development Indicators, selected years.

Figure 4.2: Asia by type of regime, Freedom House, 2004



Source: Calculated from *Freedom Around the World*. www.freedomhouse.org

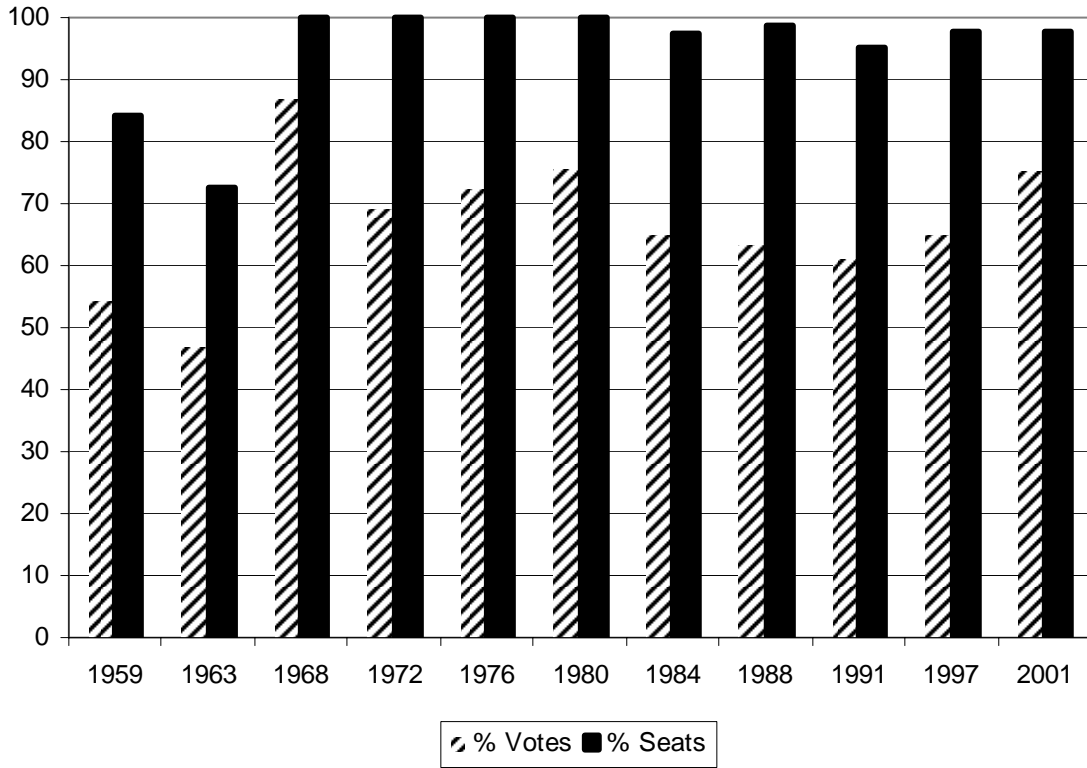
Figure 4.3: Economic growth in South Korea and Singapore, 1975-2005



Note: GDP per capita, PPP (constant 2000 international \$)

Source: World Bank Development Indicators

Figure 4.4: The proportion of votes and seats won by the ruling People’s Action Party (PAP) in Singapore general elections, 1959-2001



Source: Calculated from www.singapore-elections.com

Table 4.1: Wealth and democracy, all societies worldwide

	Liberal democracy Freedom House			Constitutional democracy Polity IV			Participatory democracy Vanhanen			Contested democracy Przeworski et al/ Cheibub and Gandhi		
	b	pcse	p.	b	pcse.	p.	b	pcse	p	b	pcse	p
Log GDP/Capita (US\$)	13.54	(.682)	***	11.64	(.758)	***	22.16	(.423)	***	1.13	(.088)	***
CONTROLS												
Ex-British colony (0/1)	9.83	(.709)	***	11.46	(1.44)	***	.019	(.945)	N/s	.778	(.094)	***
Middle East (0/1)	-	(1.11)	***	-	(1.22)	***	-	(.539)	***	-	(.186)	***
Regional diffusion of democracy	15.41			21.39			22.58			1.056		
Ethnic fractionalization (0-100-pt scale)	.644	(.029)	***	.685	(.032)	***	.007	(.004)	N/s	.047	(.002)	***
Population size (thou)	-	(.597)	***	-5.94	(1.34)	***	-	(.687)	***	-	(.175)	***
Area size (sq.miles)	10.24			-0.01	(.001)	***	-0.01	(.001)	N/s	.001	(.001)	N/s
Constant	.001	(.001)	***	.001	(.001)	***	.001	(.001)	N/s	.001	(.001)	***
	-			-			-			-5.89		
N. observations	20.55			12.59			38.45					
N. of countries	5115			4205			4586			.4852		
Adjusted R²	187			157			180			185		
	.583			.525			.523			.602		

Note: Entries for Liberal Democracy, Constitutional Democracy and Participatory Democracy are unstandardized beta OLS regression coefficients (b) with panel corrected standard errors (pcse) and the significance of the coefficients (p) for the pooled time-series cross-national dataset obtained using Stata's xtpcse command. With pcse the disturbances are, by default, assumed to be heteroskedastic (each nation has its own variance) and contemporaneously correlated across nations. Models for Contested democracy were run using logistic regression for the binary dependent variable, with the results summarized by Nagelkerke R square. For the measures of democracy, standardized to 100-point scales and lagged by one year, see Chapter 2. For details of all the variables, see Technical Appendix A. Significant at * the 0.05 level, ** the 0.01 level, and *** the 0.001 level.

Table 4.2: Wealth, literacy, education and liberal democracy, all societies worldwide

	Liberal democracy	Liberal democracy	Liberal democracy
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	Freedom House			Freedom House			Freedom House		
	b	pcse	p.	b	pcse	p.	b	pcse.	p
Log GDP/Capita	13.54	(.682)	***						
% Literacy				.114	(.011)	***			
% Secondary education							.150	(.015)	***
CONTROLS									
Ex-British colony	9.83	(.709)	***	8.73	(.064)	***	8.42	(.726)	***
Middle East	-	(1.11)	***	-1.93	(.716)	***	-8.16	(.750)	***
	15.41								
Regional diffusion of democracy	0.644	(.029)	***	0.77	(.026)	***	0.77	(.026)	***
Ethnic fractionalization	-	(.597)	***	-4.24	(1.00)	***	-9.86	(.833)	***
	10.24								
Population size	-0.01	(.001)	***	-0.01	(.001)	***	-0.01	(.001)	***
Area size	.001	(.001)	***	.001	(.001)	***	.001	(.001)	***
Constant	-			.797			.625		
	20.55								
N. observations	5115			3158			4328		
N. of countries	187			120			169		
Adjusted R²	.583			.415			.561		

Note: Entries for liberal democracy are unstandardized beta OLS regression coefficients (with their standard errors in parenthesis) for the pooled time-series cross-national analysis obtained using Stata's xtpcse command with panel corrected standard errors. For the measures of democracy, standardized to 100-points and lagged by one year, see Chapter 2. For details of all the variables, see Technical Appendix A. Significant at * the 0.05 level, ** the 0.01 level, and *** the 0.001 level.

Table 4.3: Key indicators in South Korea and Singapore

	South Korea	Singapore
Social and economic indicators		
Area	98,777 sq km	699 sq km
Pop., 2003	47.5m	4.2m
GDP, (US\$) 2003	\$606.3bn	\$91.3bn
GDP per capita (PPP US\$), 2003	\$17,971	\$24,481
Life expectancy at birth, 2003	76.9 years	78.6 years
Human Development Index, 2003	0.901	0.907
Adult literacy (% of pop. 15+), 2002	97.9	92.5
GINI coefficient economic inequality, 2004 (UNDP)	31.6	42.5
Ethnic fractionalization, 2002 (Alesina)	.002	.385
Political indicators		
Year of independence	1945 (from Japan)	1965 (from Malaysian Federation)
Liberal Democracy Freedom House Index, 1973 7-point scale (where 1=high,7=low)	5(PR), 6(CL) Not free	4(PR), 5(CL) Partly free
Liberal Democracy Freedom House Index, 2005 Freedom House Classification 2005	2(PR), 2(CL) Free	5(PR), 5(CL) Partly free
Control of corruption (Kaufmann) Rank (0-100) 2004	62	99
Government effectiveness (Kaufmann) Rank (0-100) 2004	80	99
Political stability (Kaufmann) Rank (0-100) 2004	60	97
Rule of law (Kaufmann) Rank (0-100) 2004	69	96
Voice and accountability (Kaufmann) Rank (0-100) 2004	69	43
Regulatory quality (Kaufmann) Rank (0-100) 2004	72	99

Note: See the appendix for details of these indices and sources of data.

¹ B. Davidson. 1992. *The Black Man's Burden: Africa and the Curse of the Nation-State*. Random House, New York.

² Robert A. Dahl. 1998. *On Democracy*. New Haven: Yale University Press.

³ John Stuart Mill. 1964. *Considerations on Representative Government* (1859). London: Dent. Lipset also attributed the original notion to Aristotle: Seymour Martin Lipset. 1959. 'Some social requisites of democracy: Economic development and political legitimacy.' *American Political Science Review*. 53: 69-105.

⁴ Seymour Martin Lipset. 1959. 'Some social requisites of democracy: Economic development and political legitimacy.' *American Political Science Review*. 53: 69-105. See also Seymour Martin Lipset. 1960. *Political Man: The Social Basis of Politics*. New York: Doubleday; Seymour Martin Lipset, Kyoung-Ryung Seong and John Charles Torres. 1993. 'A comparative analysis of the social requisites of democracy.' *International Social Science Journal*. 45(2): 154-175; Seymour Martin Lipset and Jason M. Lakin. 2004. *The Democratic Century*. Oklahoma: The University of Oklahoma Press.

⁵ Seymour Martin Lipset. 1959. 'Some social requisites of democracy: Economic development and political legitimacy.' *American Political Science Review*. 53: 75.

⁶ Seymour Martin Lipset. 1959. 'Some social requisites of democracy: Economic development and political legitimacy.' *American Political Science Review*. 53: 75. The most recent statement of this relationship by Lipset and Lakin suggests that capitalist free-market economies produce multiple commodities which are critical for democracy, by creating more heterogeneous and diverse centers of wealth and power. This reduces the economic control of the state and provides the basis for opposition organizations, they suggest, and the economic foundation for an active civil society. See Seymour Martin Lipset and Jason M. Lakin. 2004. *The Democratic Century*. Oklahoma: The University of Oklahoma Press. Chapter 5.

⁷ Dankwart Rustow. 1970. 'Transitions to democracy.' *Comparative Politics* 2: 337-63.

⁸ J. Kriekhaus. 2004. 'The regime debate revisited: A sensitivity analysis of democracy's economic effect.' *British Journal of Political Science* 34 (4): 635-655.

⁹ Robert W. Jackman. 1973. 'On the relation of economic development and democratic performance.' *American Journal of Political Science* 17: 611-21; Kenneth A. Bollen. 1979. 'Political democracy and the timing of development.' *American Sociological Review* 44: 572-587; Kenneth A. Bollen. 1983. 'World system position, dependency and democracy: The cross-national evidence'. *American Sociological Review* 48: 468-479; Kenneth A. Bollen and Robert W. Jackman. 1985. 'Political democracy and the size distribution of income.' *American Sociological*

Review 50: 438-458; Gregory C. Brunk, Gregory A. Caldeira, and Michael S. Lewis-Beck. 1987. 'Capitalism, socialism, and democracy: An empirical inquiry.' *European Journal of Political Research* 15: 459-70; Evelyne Huber, Dietrich Rueschmeyer, and John D. Stephens. 1993. 'The impact of economic development on democracy.' *Journal of Economic Perspectives* 7 (3): 71–85. Ross E. Burkhardt and Michael S. Lewis-Beck. 1994. 'Comparative democracy: The economic development thesis.' *American Political Science Review* 88: 903-910; John F. Helliwell. 1994. 'Empirical linkages between democracy and economic growth.' *British Journal of Political Science* 24 (2): 225-48; Tatu Vanhanen. 1997. *Prospects for Democracy: A study of 172 countries*. New York: Routledge; Robert J. Barro. 1999. 'Determinants of democracy.' *Journal of Political Economy* 107 (6): 158–183; Adam Przeworski, Michael E. Alvarez, José Antonio Cheibub and Fernando Limongi. 2000. *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990*. New York: Cambridge University Press; Seymour Martin Lipset, Kyoung-Ryung Seong and John Charles Torres. 1993. 'A comparative analysis of the social requisites of democracy.' *International Social Science Journal*. 45(2): 154-175; Seymour Martin Lipset and Jason M. Lakin. 2004. *The Democratic Century*. Oklahoma: The University of Oklahoma Press.

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¹¹ See David Collier and Robert Adcock. 1999. 'Democracy and dichotomies: A pragmatic approach to choices about concepts.' *Annual Review of Political Science* 1: 537-565; Michael Coppedge. 1999. 'Thickening Thin Concepts and Theories: Combining Large N and Small in Comparative Politics.' *Comparative Politics* 31:4 (July): 465-76; Adam Przeworski. 1999. 'Minimalist conception of democracy: A defense.' In *Democracy's Value*. Eds Ian Shapiro and Casiano Hacker-Cordon. Eds. Cambridge: Cambridge University Press; Geraldo L. Munck and Jay Verkuilen. 2002. 'Conceptualizing and measuring democracy: Evaluating alternative indices.' *Comparative Political Studies*. 35 (1): 5-34; Pamela Paxton. 2000. 'Women's suffrage in the measurement of democracy: Problems of operationalization.' *Studies in Comparative International Development* 35 (3): 92-111; Teri L. Caraway, 2004. 'Inclusion and democratization: Class, gender, race, and the extension of suffrage.' *Comparative Politics* 36 (4): 443-460.

¹² See Robert J. Barro. 1997. *Determinants of Economic Growth: A Cross-Country Empirical Study*. Cambridge: The MIT Press; Robert J. Barro. 1999. 'Determinants of democracy.' *Journal of Political Economy* 107(6-2): 158-183.

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- ¹³ Seymour Martin Lipset and Jason M. Lakin. 2004. *The Democratic Century*. Oklahoma: The University of Oklahoma Press. Chapter 11.
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- ¹⁵ Torsten Perrson and Guido Tabellini. 2003. *The Economic Effects of Constitutions*. Cambridge, MA: The MIT Press.
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