

Assignment 2: Research Proposal for Final Data Analysis

25 Mar 2016

Theoretical Background / Literature Review

From 1974 to 1990, at least 30 countries made the transition to democracy. What Huntington has labelled the “third wave of democratization” (1991, 12) has prompted an increasing scholarly interest in pinpointing the characteristics that makes a country truly democratic as well as what conditions need to be in place in order for a transition to democracy to be successful.

A plethora of definitions of democracy can be found in the literature. While some of them are procedural and minimalist (Hardin 1999; Popper 1963; Przeworski 1991; Riker 1982; Schumpeter 1950), others tend to be more comprehensive, maximalist, and “based on attributes widely understood to exist in few if any cases in the real world” (D. Collier and Levitsky 1996, 8). Those attributes include social and economic equality and broad citizen participation at all levels of the decision-making political process.

According to Przeworski, a minimalist democracy is just “a system in which parties lose elections” (1991, 10). In this sense, the value of democracy itself is the peaceful transfer of power carried out through regular elections. The point made by Schumpeter coincides since he argues that “the principle of democracy then merely means that the reins of government should be handed to those who command more support than do any of the competing individuals or team” (Schumpeter 1950, 269). Similarly, Popper emphasizes the importance of elections. “The first type [of government] consists of governments of which we can get rid without bloodshed- for example, by way of general elections; that is to say, the social institutions provide means by which the rulers may be dismissed by the ruled” (Popper 1963, 124).

On the other hand, the maximalist approach developed by Dahl identifies three fundamental characteristics of democracy: (1) popular sovereignty, (2) political equality, and (3) majority rule (1956). Similarly, Larry Diamond points out that democracy encompasses “not only a civilian, constitutional, multiparty regime, with regular, free and fair elections and universal suffrage, but organizational and informational pluralism; extensive civil liberties (freedom of expression, freedom of the press, freedom to form and join organizations); effective power for elected officials; and functional autonomy for legislative, executive and judicial organs of government” (1999, 11).

When it comes to discussing “illiberal” (electoral) and “liberal” strains of democracy, two terms that became popular in the late 1990s, the distinction between procedural and maximalist conceptualizations of democracy is fundamental. If elections are the only prerequisite for a country to be classified as a democracy, then illiberal democracies, in which citizens freely choose a government that curtails their rights, may exist. In opposition to this, if democracy actually encompasses a bundle of indivisible institutions and processes built upon the principles of choice, participation, rule of law, rights, etc., such a thing as an illiberal democracy can simply not exist (Zakaria 1997).

In response to what he views as the oversimplification of the definition of democracy into mere elections, Wolfgang Merkel puts forward the concept of “embedded democracy”, which characterizes stable constitutional democracies by their internal and external “embeddedness”. Internal embeddedness is defined by the simultaneous independence and interdependence of what Merkel calls the “five partial regimes” of democracy; that is to say, that each of the five partial regimes - a democratic electoral regime, political rights, civil rights, horizontal accountability, and the effective power to govern by the democratically elected representatives - are simultaneously independent from each other and support each other. External embeddedness refers to the embeddedness of this webbed structure in spheres of enabling conditions that protect it from inner and outer destabilizers and shocks, such as a developed economy, fair distribution of resources, and prevention of extreme poverty, to name a few conditions. By his same definition, any democracy where the mutual embeddedness of the five partial regimes is no longer intact is labelled a “defective democracy” (2004).

Research Question and Hypotheses

For the purposes of this study, we shall be inspecting the effects of ethnic fractionalization on one of these so-called “partial regimes”: that of the political rights of participation. Merkel identifies two qualifiers for the institutional core of political rights to be considered intact: freedom of speech and opinion, and the freedom of association, demonstration, and petition. He justifies their allotted role as a partial democratic regime by pointing out the important roles they play as an enabler to fair and organized democratic elections and in ensuring the complete development of political society, which in turn behaves as a check and balance on state institutions (2004).

While a brief literature review has shown that a lot of research exists on the effects of ethnic diversity and ethnic fractionalization on the quality of democracy, access to resources, and civil rights, we were unable to find any studies that focus specifically on the effect of ethnic fractionalization on the freedoms of speech and association. Paul Collier’s research reveals the interesting dynamic between ethnic fractionalization and civil unrest or outbreak of violence in the form of civil wars, pointing out that, while higher ethnic fractionalization can actually play a stabilizing role in developed democracies, it can be quite harmful in authoritarian regimes, depending on the pattern of fractionalization that is present (P. Collier 2000). In this sense, we also predict that the relationship between ethnic fractionalization and political rights is likely to be dependent on an interaction or conditioning variable. Although we initially wanted to interact ethnic fractionalization with level of democracy, we are well aware of the endogeneity concerns that such an interaction would generate since one of the main components of a level of democratization variable would likely be political rights, our dependent variable. In spite of this, we still believe that the level of development of a country plays a significant role in explaining the impact of ethnic fractionalization on political rights. As we are also very interested in recent scholarly research suggesting that excessive inequalities undermine democratic political regimes (Acemoglu and Robinson 2006; Boix 2003), we would like to posit, then, that ethnic fractionalization can play an important role in determining the level of Merkel’s political rights when the country is at an advanced stage of development, understanding by this that wealth is broadly distributed in society and that, hence, income inequality is low.

Specifically, we hypothesize that high ethnic fractionalization will have a negative impact on the preservation of political rights, as different groups compete to dominate the political discourse. Furthermore, we postulate that this impact will depend on the level of income inequality in a country: the less equal a country, the higher the negative impact high ethnic fractionalization will have on political rights. Conversely, the more equal a country, the higher the positive impact high ethnic fractionalization will have on political rights. Our main hypothesis is, then:

H1: The more ethnically fractionalized a country is, the higher its negative impact on political rights if income inequality is high.

Consequently:

H2: When income inequality is low, the impact of high ethnic fractionalization on political rights is expected to be positive.

Control variables that we have considered so far include the following:

- Linguistic fractionalization - while linguistic identity may often overlap with ethnic identity, it also often plays a unifying role in multi-ethnic societies. This unifying role may, in turn, affect the intergroup competition and conflict that we theorize may play a negative role on political rights. However, the risk of multicollinearity will likely have to be accounted for and monitored. We also considered religious fractionalization as a similar control variable, but concluded that religious correlation to ethnicity is often much higher than linguistic correlation and therefore the probability of collinearity problems would be too high.
- Economic inequality - economic inequality serves to exacerbate any sort of inter-societal or intergroup divisions or differences, and we suspect that with ethnicity this would be no different. Therefore, it would be important to include it among our control variables.

- Income per capita - lack of wealth can produce general dissatisfaction and conflict among a population, and in turn also exacerbate intergroup conflict. We would also want to control for its residual effects.
- Judicial independence - judicial independence serves, here, as a proxy for horizontal accountability, which in turn guarantees the ability of the state to keep itself in check. As a control variable, it would help control for the role of the state in the possible suppression of political rights.
- Indicators of government accountability - these would play a similar role to judicial independence in controlling for the role of the state in other positively or negatively determining the preservation of political rights.

Variables and methodology

With regards to how we would go about operationalizing our dependent variable, main independent variables, and control variables, we plan to make use of the following indicators (all of which we have confirmed can be easily accessed online):

- Dependent variable - as we have already said, according to Merkel’s strict definition, political rights shall consist for the purposes of this study of the freedom of speech and opinion on the one hand, and the freedom of association, demonstration, and petition on the other hand. Since the majority of political rights variables that we have found encompass more dimensions than those (that is to say, are somewhat broader than our selected definition), we have decided to depend upon Freedom House’s Freedom of the Press variable as a proxy for freedom of speech and opinion. Nevertheless, we also intend to run the second dimension, freedom of association, demonstration, and petition, as alternative dependent variable to serve as a robustness check. As a proxy for this, we shall use Freedom House’s Associational and Organizational Rights variable.
- Main independent variable - for ethnic fractionalization, we plan to use the indicator developed in 2003 by Alesina et al. Their variable ranges from 0 to 1, 0 being the most ethnically homogeneous that a country can be and 1 diverse or fractionalized.
- Interaction variable - for income inequality, we are intending to use the Gini coefficient, which takes values from 0 to 1, being 0 maximum equality and 1 maximum inequality.
- Control variables - Alesina et al.’s ethnic fractionalization indicator, GDP per capita, the independence of judiciary categorical variable developed by CIRI Human Rights Data Project, and the voice and accountability variable from the World Bank’s Worldwide Governance Indicators will serve as our chosen control variables.

As for our methodology, we want to use a panel data model, covering 171 countries for at least the last 20 years. All the variables that we are planning to make use of can be easily accessed in the Quality of Government Standard Dataset developed by the Quality of Government Institute from Gothenburg (Government Institute 2015). Since we are not only interested in looking at the difference between the units (in our case, countries) but also want to take into account the within-unit variance, which is the variation experimented by one same unit across time, we are considering a fixed-effects model. However, this may still not be ideal due to the fact that we do not expect our main independent variable, ethnic fractionalization, to change much over time. In a fixed-effects model, time-invariant independent variables are likely to get eaten up by the country-specific time-invariant fixed effects. In our case, this is something that we cannot ignore since the nearly time-invariant explanatory variable is also our main independent variable. In this sense, when dealing with almost time-invariant variables and panel data, scholars have identified three potential ways forward: pooled OLS, random effects or a Hausman-Taylor formulation (Plumper and E. 2004). Consequently, we intend to run the different models and compare our coefficients across them. Our basic equation (from the OLS model) will be as follows:

$$PoliticalRights_i = B_0 + B_1EthnicFrac_i + B_2IncomeIneq_i + B_3EthnicFrac \times IncomeIneq_i + B_4GDPcapitai + B_5Judiciaryindependence_i + B_6Voiceandaccounti$$

Bibliography

- Acemoglu, Daron, and James Robinson. 2006. *Economic Origins of Democracy and Dictatorship*. New York: Cambridge University Press.
- Boix, Carles. 2003. *Democracy and Redistribution*. New York: Cambridge University Press.
- Collier, David, and Steven Levitsky. 1996. "Democracy with Adjectives. Conceptual Innovation in Comparative Research." The Helen Kellogg Institute for International Studies.
- Collier, Paul. 2000. "Embedded and Defective Democracies." The World Bank.
- Dahl, Robert A. 1956. *A Preface to Democratic Theory*. Chicago: University Chicago Press.
- Diamond, Larry. 1999. *Developing Democracy: Toward Consolidation*. Baltimore: Johns Hopkins University Press.
- Government Institute, Quality of. 2015. "QoG Standard Data." <http://qog.pol.gu.se/data/datadownloads/qogstandarddata>.
- Hardin, Russell. 1999. *Liberalism, Constitutionalism and Democracy*. New York: Oxford UP.
- Huntington, Samuel P. 1991. "Democracy's Third Wave." *Journal of Democracy* 2 (2): 12–34.
- Merkel, Wolfgang. 2004. "Embedded and Defective Democracies." *Democratization* 11 (5): 33–58.
- Plumper, Thomas, and Troeger Vera E. 2004. "The Estimation of Time-Invariant Variables in Panel Analyses with Unit Fixed Effects." University of Konstanz/Max-Planck-Institute for Research into Economic Systems.
- Popper, Karl. 1963. *Conjectures and Refutations*. Princeton: Princeton UP.
- Przeworski, Adam. 1991. *Democracy and the Market*. Cambridge: Cambridge UP.
- Riker, William. 1982. *Liberalism Against Populism*. San Francisco: W.H. Freeman; Company.
- Schumpeter, Joseph. 1950. *Capitalism, Socialism and Democracy*. New York: Harper & Row.
- Zakaria, Fareed. 1997. "The Rise of Illiberal Democracy." *Journal of Democracy*.