

DEMOCRACY AND ECONOMIC OPENNESS IN AN INTERCONNECTED SYSTEM

In this book, Quan Li and Rafael Reuveny combine the social scientific approach with a broad, interdisciplinary scope to address some of the most intriguing and important political, economic, and environmental issues of our times. Their book employs formal and statistical methods to study the interactions of economic globalization, democratic governance, income inequality, economic development, military violence, and environmental degradation. In doing so, Li and Reuveny cross multiple disciplinary boundaries, engage various academic debates, bring the insights from compartmentalized bodies of literature into direct dialogue, and uncover policy trade-offs in a growingly interconnected system of polity, economy, and environment. They show that growing interconnectedness in the global system increases the demands on national leaders and their advisors; academicians and policymakers will need to cross disciplinary boundaries if they seek to better understand and address the policy trade-offs of even more complex processes than the ones investigated here.

Quan Li is Professor of Political Science and Director of the Program on International Conflict and Cooperation (PICC) at Texas A&M University, which he joined in 2008. Previously, he was a faculty member in political science at the Pennsylvania State University, where he codirected the Multidisciplinary Seminar Series on Globalization in the College of Liberal Arts and served on the inaugural Faculty Governing Council of the School of International Affairs. Professor Li served on the editorial board of the Journal of Politics and is serving on the editorial boards of International Studies Quarterly and International Interactions.

Professor Li holds a Ph.D. in political science and international relations. His research interests focus on the causes and consequences of economic globalization (international trade, foreign direct investment, financial openness, and capital account liberalization), democratic governance, political violence (interstate military conflict, civil conflict, transnational terrorism), and macroeconomic policymaking and cooperation. His research has appeared in numerous journals, including the *British Journal of Political Science, Comparative Political Studies, International Organization, International Studies Quarterly*, the *Journal of Conflict Resolution*, the *Journal of Peace Research*, the *Journal of Politics*, and *Political Research Quarterly*. Professor Li is the corecipient of the 2003 Best Article on Democratization Award from the American Political Science Association.

Rafael Reuveny is Professor of International Political Economy at the School of Public and Environmental Affairs, Indiana University, Bloomington. His research focuses on the causes and effects of economic globalization, democracy, international military conflict, and sustainable development. He is the author and coauthor of numerous articles and book chapters. Professor Reuveny's work has appeared in journals such as the American Journal of Political Science, the Journal of Politics, International Studies Quarterly, International Organization, the Journal of Conflict Resolution, Ecological Economics, and Environmental and Resource Economics. He is the coauthor or coeditor of five books, the most recent of which is North and South in the World Political Economy (2008). He was also a guest coeditor of a special issue of International Studies Review (2007).

Professor Reuveny was program chair of the 2006 meeting of the International Studies Association and the North America program chair of the 2008 meetings of the Global International Studies Conference. Reuveny has won two teaching awards at Indiana University and is the 2007 corecipient of the Award of Excellence in World Society Research, First Place, given by the World Society Foundation, Zurich, Switzerland. Professor Reuveny is also the corecipient of the 2003 Best Article on Democratization Award from the American Political Science Association. He holds a double-major Ph.D. in business economics and political science.



Democracy and Economic Openness in an Interconnected System

Complex Transformations

QUAN LI

Texas A&M University

RAFAEL REUVENY

Indiana University





CAMBRIDGE UNIVERSITY PRESS Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi, Dubai, Tokyo

Cambridge University Press 32 Avenue of the Americas, New York, NY 10013-2473, USA

www.cambridge.org Information on this title: www.cambridge.org/9780521728904

© Quan Li and Rafael Reuveny 2009

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2009

Printed in the United States of America

A catalog record for this publication is available from the British Library.

Library of Congress Cataloging in Publication data

Li, Quan, 1966-

Democracy and economic openness in an interconnected system: complex transformations / Quan Li, Rafael Reuveny.

p. cm.

Includes bibliographical references and index. ISBN 978-0-521-49143-3 (hbk.) – ISBN 978-0-521-72890-4 (pbk.)

1. Democracy – Economic aspects. 2. Economics – Political aspects. 3. Free enterprise.

I. Reuveny, Rafael. II. Title. JC423.L5145 2009 330.01 – dc22 2009019723

ISBN 978-0-521-49143-3 Hardback ISBN 978-0-521-72890-4 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party Internet Web sites referred to in this publication and does not guarantee that any content on such Web sites is, or will remain, accurate or appropriate.



Contents

List of Figures and Tables Acknowledgments		page vii	
		ix	
1	Introduction	1	
	PART I: THE DEMOCRACY-ECONOMY NEXUS		
2	Democracy and Economic Openness	23	
3	Democracy, Economic Openness, and Income Inequality	62	
4	Democracy and Development	89	
	PART II: BRINGING IN CONFLICT		
5	Democracy and Conflict	125	
6	Economic Openness and Conflict	158	
	PART III: BRINGING IN THE ENVIRONMENT		
7	Democracy and the Environment	205	
8	Economic Openness and the Environment	239	
9	Conflict and the Environment	266	
10	Conclusion	292	
References		309	
Author Index		337	
Subject Index		344	



List of Figures and Tables

FIGURES

1.1.	Graphical layout of the book	page 5
6.1.	Disaggregated bilateral trade equilibrium	167
10.1.	Graphical layout of key findings	294
	TABLES	
2.1.	Globalization promotes democracy	28
2.2.	Globalization obstructs democracy	31
2.3.	Globalization does not necessarily affect democracy	34
2.4.	Effects of economic globalization on democracy	39
2.A1.	Pooled time-series cross-sectional models of democracy by	
	decade	54
2.A2.	OLS estimates with additional control variables or Freedom	
	House data	55
2.A3.	Parameter estimates from alternative estimators	57
3.1.	Income inequality, democracy, and economic openness	74
3.A1.	Interactive effect of democracy and FDI on income inequality	84
3.A2.	Income inequality, democracy, and economic openness	
	(all countries)	86
3.A3.	Effects of democracy and economic openness in DCs and	
	LDCs	88
4.1.	Variables and expected effects in the simultaneous equations	100
4.2.	Democracy and development, 2SLS	103
4.A1.	Democracy and development, 3SLS	120
4.A2.	Democracy and development, 2SLS-Kiviet	121

vii



viii

List of Figures and Tables

5.1.	Expectation of direction of effects in the simultaneous	
	equations	139
5.2.	Interactions among joint democracy, regime dissimilarity,	
	and dyadic conflict	142
5.3.	Probabilities and relative risks of MID involvement	143
5.A1.	Interactions among joint democracy, regime dissimilarity,	
	and dyadic conflict, controlling for affinity	156
6.1.	Trade categories and conflict expectations	171
6.2.	Effects of bilateral import and export in five sectors on MID	
	initiation	176
6.A1.	Equality tests on significant positive and negative effects of	
	sectoral trade flows	200
6.A2.	In-sample prediction of MID initiation	200
6.A3.	Effects of bilateral sectoral flows on display of force and use	
	of force	201
	Effect of level of democracy on environmental degradation	217
	Effect of democracy on environmental degradation	220
	Effect of autocracy on environmental degradation	221
	Effect of political regime type on environmental composites	223
	Summary of causal mechanisms	249
8.2.	Effects of democracy and trade openness on deforestation	
	and land degradation	254
	Effects of democracy and trade openness on deforestation	262
8.A2.	Effects of democracy and trade openness on land	
	degradation	264
	War and CO ₂ emissions per capita	275
	War and deforestation	277
9.A1.	War, cubic GDP per capita, CO ₂ emissions per capita, and	
	deforestation	289
9.A2.	War and CO ₂ emissions per capita, omitting the lagged	
	dependent variable	290



Acknowledgments

This book would not have been possible without the support of many friends, colleagues, and students at the Pennsylvania State University, Indiana University, and Texas A&M University. Our many friends and colleagues in political science and economics also offered numerous useful comments, criticisms, and suggestions regarding the various parts of our project, which were presented in earlier forms at many professional conferences, workshops, and seminars. We thank them all even though it is not possible to enumerate all those who played a role in some stage of our research project. We give special thanks to Jim Eisenstein, Frank Baumgartner, Evan Ringquist, and the reviewers for Cambridge University Press for their comments and suggestions directed at various parts of our book manuscript. Daehee Bak, Andreea Mihalache, Sam Sniderman, Ashley Allen Peterson, Leslie McDonald, Melanie Arnold, and Matt Warhol provided valuable research and editorial assistance, for which we are grateful. We also warmly thank Scott Parris at Cambridge University Press, who is the best editor an author could hope for. We deeply value his guidance throughout the different phases of this project. Scott's assistant, Adam Levine, provided excellent editorial assistance. Himanshu Abrol effectively oversaw the production of our book, and Heather Phillips did a thorough job copyediting the manuscript.

Five chapters of our book draw upon our previously published journal articles. We want to thank Blackwell Publishing, Cambridge University Press, Sage Publishing, and Taylor & Francis for their permission to use materials from those journal articles for this project.

Chapter 2 is a thoroughly revised and extended version of the following article: Li, Quan, and Rafael Reuveny. 2003. "Economic Globalization and Democracy: An Empirical Analysis," *British Journal of Political Science* 33(1):29–54. Copyright © 2003 Cambridge University Press.



X

Cambridge University Press
978-0-521-49143-3 - Democracy and Economic Openness in an Interconnected
System: Complex Transformations
Quan Li and Rafael Reuveny
Frontmatter
More information

Acknowledgments

Chapter 3 is a thoroughly revised and extended version of the following article: Reuveny, Rafael, and Quan Li. 2003. "Economic Openness, Democracy and Income Inequality: An Empirical Analysis," *Comparative Political Studies* 36(5):575–601. Copyright © 2003 Sage Publishing.

Chapter 5 is a thoroughly revised and extended version of the following article: Reuveny, Rafael, and Quan Li. 2003. "The Joint Democracy–Dyadic Conflict Nexus: A Simultaneous Equations Model," *International Studies Quarterly* 47(3):325–347. Copyright © 2003 Blackwell Publishing.

Chapter 7 is a thoroughly revised and extended version of the following article: Li, Quan, and Rafael Reuveny. 2006. "Democracy and Environmental Degradation," *International Studies Quarterly* 50(4):935–956. Copyright © 2006 Blackwell Publishing.

Chapter 8 is a thoroughly revised and extended version of the following article: Li, Quan, and Rafael Reuveny. 2007. "The Effects of Liberalism on the Terrestrial Environment," *Conflict Management and Peace Science* 24(3):219–238. Copyright © 2007 Taylor & Francis.

This book has grown out of our decade-long joint research and collaboration, friendship, and many debates since we first met in 1999. The quality of our joint scholarship has benefited from both our agreements and our disagreements, all of which we were ultimately able to resolve with a smile. Without our mutual willingness to listen and compromise, and our continuous mutual support and trust, this book would not have come into being.

Finally, our families have been important to the completion of this book. We owe many thanks to our respective parents in China and Israel, Li Maoji and Kuang Juying, and Mordechai and Ora Reuveny, for their unending support. Our spouses and children, Liu, Ellen, and Andrew, and Ronit, Adi, and Noam, have given so much support, encouragement, and meaning to our work that we feel we must dedicate this book to them.