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Introduction

1.1 WHY DEMOCRACY?

What explains the emergence of democracy? Why did some countries democratize in the nineteenth century, while others never have? Which social groups are relatively more or less important proponents of regime change? Does economic growth promote democracy, and if so, how?

Debate about answers to these questions continues. In recent years, scholars have turned away from the question of whether economic development per se fosters regime change, and begun to explore the question of whether the *distributional consequences* of economic development help explain patterns of democracy and dictatorship.

In particular, a set of papers and two influential books by Daron Acemoglu and James Robinson (henceforth "A&R": 2001; 2006) and Carles Boix (2003) have propelled research in this new direction. These books offer what we call *redistributivist* theories of regime change, in that they focus on how economic inequality—the relative distribution of income or assets—impacts voters' demand for redistribution. All else equal, redistributivist arguments suggest that inequality harms democracy's prospects because, in intensifying voters' desire for redistribution of autocratic elites' wealth, it generates a similarly intense reaction by those same elites, who will dig in their heels to maintain the political status quo. In an equal society, demand for redistribution would be weaker—as would elite opposition to liberalization.

In reinvigorating research on the "economic origins of democracy and dictatorship" (the title of Acemoglu and Robinson's book), redistributivist approaches implicitly adopt the fundamental tenet of Modernization Theory—that political change can follow economic change. Yet they add an important new twist, in drawing our attention to the fact that economic development can have very different political consequences, depending on how the growing economic pie is divided up. Such arguments begin with an apparently straightforward contrast between autocracies, which restrict the franchise, and democracies, which allow the poor greater voice and vote. Logically, because there are always more poor people than rich people, franchise extensions lower the average voter's income, which should increase demand for redistribution. When such redistributive pressures are high, economic elites will—out of self-interest—resist granting the poor the vote.

We challenge this purported syllogism between democracy and redistribution, and the concomitant assumption that a natural tension exists between democracy and property. Indeed, it is likely that the tension between *autocracy* and property, due to lack of voice and accountability, is far greater than any threat to property under democracy. We also argue that the threat from the median voter that drives redistributivist approaches is a chimera, and that political-economy theories built on such fear lead scholars down an unfruitful path. Democracy does not emerge when redistributive threats to elite interests are low. Instead, it is more likely when rising yet politically disenfranchised groups demand greater voice in government affairs because *they* have more to lose. Democracy is about fear of the autocratic state, not fear of the poor.

1.2 DEMOCRACY *OR* PROPERTY? THE REDISTRIBUTIVIST THESIS

The notion of "democracy as Robin Hood"—that the poor would use the vote to soak the rich—enjoys an exalted status in contemporary political-economy research. And perhaps for good reason, for it draws on deep and well-known philosophical roots. One can find fear of the depredations of majority rule in Aristotle's *Politics* (Book III, Ch. 10, 14–18), while modern political philosophers as different as Rousseau, Adam Smith, and Tocqueville also all implied in one way or another that democracy and property are incompatible.

Given its philosophical pedigree, the notion that economic equality would inevitably follow political equality has "dominated the hopes and fears attached to democracy" since the earliest days of representative government (Przeworski 2009, 301). Indeed, an intellectual strange bedfellows coalition spanning the political spectrum has long buttressed the redistributivist logic: those on the left have hoped the poor would remain unsatisfied with the mere acquisition of *de jure* political equality, while those on the right have feared universal suffrage would threaten property.

Both sides have had powerful incentives to advance the notion that democracy and property are in tension not just in theory, but in fact. On the left, we find this claim in Marx and Engels, who both believed democracy should precede communism because universal suffrage would undermine property and exacerbate class struggle. Marx emphasized this theme in the *18th Brumaire* and in *Class Struggles in France*, for example. And not surprisingly, the quest for "distributive justice" has long served as the core principle mobilizing leftist political movements.

On the right, one sees the alleged syllogism between democracy and redistribution in a prominent strand of conservative-libertarian thought, which also assumes that politics is driven by a clash between rich and poor. Democracy is a vehicle for the "legalized plunder," in the words of Frédéric Bastiat (1850), of the property and income of the rich through taxation and redistribution. Fear of redistribution, demands for lower taxes, and calls for economic liberty rather than equality have long mobilized conservative movements.

According to Przeworski (1999, 40), the logic of the supposed tension between democracy and property is so intuitively obvious that by 1850 the idea that democracy would inevitably bring about socioeconomic equality was universally accepted. To this day, Przeworski suggests that intelligent observers have a hard time reconciling universal suffrage and economic inequality, believing that under democracy the poor will naturally soak the rich (Przeworski 2010, 85). Hope on the left and fear on the right—and the clashing calls for economic equality or economic liberty—still drive political debate.

The notion of a tension between democracy and property also figures in prominent accounts of regime change. For example, in engaging and critiquing Barrington Moore, Rueschemeyer, Stephens, and Stephens (1992, 6) (RSS) suggest that democracy emerges due to demands for both political *and* economic equality. RSS drew on Marx in suggesting that the working class would be democracy's 'most frequent proponent' (42) precisely because democracy creates opportunities for redistribution.

In recent years redistributivist arguments with intellectual roots on the other side of the political spectrum have gained traction. In 1981, Allan Meltzer and Scott Richard—who can fairly be classified as "free-market" economists—distilled the alleged incompatibility of democracy and property into a simple formal-theoretic rational-expectations argument about electoral politics. Since there are always more poor people than rich people, universal suffrage means that a majority of voters—and most importantly the median voter under majority rule—earn less than average income. Because everyone with below average income should want to raise taxes on everyone with above average income, democracy should always produce pressure for redistribution—and such pressure should increase with inequality, because as the rich get richer the poorer median voter would gain more by continuing to raise taxes.

Meltzer and Richard's model has had enormous impact on the study of political economy. Many have explored its intended application, relating the degree of inequality to variation in redistributive social-welfare spending. Boix and A&R derived their arguments about regime change from Meltzer and Richard's assumption that everyone, from the incumbent dictator down to the lowliest peasant, knows that in a democracy the poor will soak the rich—and that the larger the gap between rich and poor, the worse will be the soaking.

Boix assumes that political regimes aggregate preferences about redistribution from among those who have the right to participate (p.10). Given this, low levels of inequality under autocracy enhance the chances of democratization because redistributive pressure from the poor is low. Acemoglu and Robinson begin similarly, stating that, "Democracy is usually not given by the elite because its values have changed. It is demanded by the disenfranchised as a way to obtain political power and thus secure a larger share of the economic benefits of the system" (p.29).

Although these books differ in their arguments and conclusions to some degree, they begin from and apply similar theoretical principles—that outcomes of political conflict are a function of the preferences of the median voter, who would like high taxes and substantial redistribution to poor people like themselves (see Acemoglu and Robinson 2006, 103–4; Boix 2003, 23–4). The rich, meanwhile, seek the opposite: no taxes and no redistribution. All redistributivist arguments—whether about social-welfare spending or regime change—focus on elites' fear of the relatively poor median voter, highlighting the similarity between conservative fears and leftist hopes that democracy and redistribution go hand in hand.

1.3 PUZZLES FOR THE REDISTRIBUTIVIST APPROACH

In our view, the redistributivist thesis offers a misleading understanding of the relationship between inequality and democratization. Our motivation for developing an alternative explanation of this relationship starts with a question: Is democracy more likely to emerge from an autocracy with a Gini coefficient of income inequality of .24, or one with a Gini of .51?

In principle, Gini coefficients can range from 0 (perfect equality—everyone has the same amount) to 1 (perfect inequality—one person has everything, while everyone else has nothing), but .24 is among the lowest Ginis ever recorded. In contrast, .51 is a highly unequal society, at approximately the 80th percentile of historical estimates. Given this, Boix's answer embodies the conventional wisdom: democracy is more likely to emerge in the equal country. In turn, A&R might suggest that democracy is unlikely in either country, because they predict that regime change is only likely when inequality is at a "middling" level.[1]

Now consider a different question: Which country was more likely to democratize: China in 1880, or the UK in 1867? Everyone knows the answer to this question, but what not everyone knows is that the Gini coefficient in

[1] In an earlier paper, Acemoglu and Robinson (2001) suggested that the probability of regime change increases monotonically with inequality, but they abandoned this hypothesis in their book.

China in 1880 was .24, while in the UK in 1867 it was .51.[2] Even if these estimates are somewhat imprecise, no one questions these two countries' levels of inequality relative to each other. This generates a conundrum: all else equal, if Boix's argument were correct, China should have democratized long ago, while the UK might still be an autocracy. For their part, A&R argued that democratization was likely in the nineteenth-century UK, but only because they also suggested that inequality was moderate at that time. However, Victorian Britain's Dickensian chasm between rich and poor suggests that the case does not comfortably fit their argument.

As we will confirm, these cases are not outliers. Many recent examples of regime change—Brazil and South Africa most notoriously perhaps—occurred as income inequality was peaking. Holding all else equal for the moment, the juxtaposition of the UK against China, as well as cases of recent transitions in high-inequality countries, raise questions about the empirical accuracy of redistributivist hypotheses, simply because such examples confound the claim that regime change should occur when the threat of redistribution from the poor is relatively low.

We are hardly the first to question the utility of the median-voter model. Meltzer and Richard offered a seductively parsimonious explanation of redistributive politics, yet empirical support for their argument remains notably weak. Even though the decades since the article's publication have brought better measures of democracy, inequality, and redistribution, scholars have been confounded in their efforts to confirm a relationship between these three variables. Instead, findings have consistently and repeatedly called into question the notions that democracies redistribute more than autocracies and that inequality is correlated with pressures for redistribution.[3] In fact, results have repeatedly found that democracies redistribute less than they "should," and some scholars have even found that redistribution *declines* as inequality increases (e.g., Moene and Wallerstein 2001, 2003; Shelton 2007).

The lack of firm support for the MR thesis has caused endless scholarly head-scratching and has generated a cottage industry of research seeking to salvage the belief that a tension exists between democracy and property. Some suggest the thesis would hold if other factors didn't dilute the impact of voters' natural demand for redistribution, such as elites' ability and willingness to tilt

[2] The former estimate comes from Milanovic, Lindert, and Williamson (2011). The latter comes from Bourguignon and Morrisson (2002).

[3] See, for example, Aidt, Daunton, and Dutta (2010); Aidt, Dutta, and Loukoianova (2006); Aidt and Jensen (2011); Banerjee and Duflo (2003); Benabou (1996); Cheibub (1998); Cutright (1965); Dincecco and Prado (2010); Easterly and Rebelo (1993); Haggard and Kaufman (2012); Jackman (1974); Kenworthy and McCall (2008); Lott and Kenny (1999); Pampel and Williamson (1992); Perotti (1996); Putterman (1996); Rodrigiuez (1999); Scheve and Stasavage (2009); Shelton (2007); Tullock (1983). Reviews of the literature include Harms and Zink (2003); Mueller (2003); Roemer (1998).

the playing field by flooding politics with money;[4] elites' ability to shape the poor's political beliefs, particularly through ownership of mass media;[5] or the fact that as the salience of noneconomic issues such as ethnicity or religion increases, demand for redistribution declines.[6]

All efforts to explain the MR model's shortcomings accept its basic premise, that voters' desire for redistribution increases as their incomes decline. However, other attempts to account for the model's weak empirical performance dispense with this assumption. Perhaps relatively poor voters oppose redistributive schemes and believe instead that (1) the market system is fair and the rich should be respected, not envied; (2) structural constraints either do not exist or do not shape one's life chances; (3) people generally get what they deserve in life and shouldn't ask for a handout; (4) expropriating the rich might have unintended and undesirable consequences; or (5) even though they are poor in the present, they might be rich in the future (Alesina and La Ferrara 2005; Benabou and Ok 2001). For any or all of these reasons, most voters might prefer policies that equalize economic opportunity, but not outcomes (see e.g., Hochschild 1996).

No consensus exists as to why democracies redistribute less than they "should," but the empirical point remains: insisting on portraying democracy as Robin Hood makes little social-scientific sense. Still, scholars have been unwilling to abandon their faith in the redistributive model, leading Przeworski to sardonically call it "political economists' favorite toy" (2010, 85). Models that explain a lot using only a little are rare gems—things of great beauty and value, at least to social scientists. Simplicity is seductive, and parsimonious models often become the conventional wisdom. Yet simplicity is not always a virtue, because Ockham's razor can sometimes shave off too much, eliminating vital information.

We call attention to the Meltzer-Richard model's inability to explain redistribution in existing democracies because if it cannot accomplish what it was designed to do, we have little reason to expect it to explain regime change,

4 Critics of democracy have long suggested that elites' informal influence under democracy, which derives from their material wealth and privileged access to those who hold power, overwhelms the masses' numerical advantage. This argument can be traced to Pareto and Mosca, is found in the work of Roberto Michels, C. Wright Mills, and E.E. Schattschneider, and continues—perhaps less as critique of democracy per se than as a call for reform—to hold a prominent place in discussions of American (e.g., Bartels 2010; Gilens 2012; Schlozman, Verba, and Brady 2012) and comparative politics (e.g., Winters 2011). Political economists agree—witness the well-known efforts seeking to explain why most government spending tends to favor the wealthy (e.g., Benabou 1996, 2000; Benabou and Ok 2001; Grossman and Helpman 2002; Justman and Gradstein 1999; Lizzeri and Persico 2004; Ross 2006; Stigler 1970).

5 One need not be an acolyte of Gramsci to appreciate this point; after all, utilitarianism's avatar J.S. Mill suggested that political equality per se would never drive public spending because most voters lack the necessary self-understanding to cast a vote in their own interest.

6 See Alesina and Glaeser (2005); Gilens (2000); Grossmann (2003); Huber and Stanig (2009); Lee and Roemer (1998); Roemer (1998, 2005)

especially based on expectations actors have about redistribution in *hypothetical future* democracies. The model's empirical and theoretical weaknesses need to be brought front and center in the study of regime change, because the lack of a clear relationship between democracy and redistribution implies that median-voter models lead scholars down an intellectually unprofitable path.

1.4 DEMOCRACY *AND* PROPERTY?

Our elite-competition approach offers a new theoretical explanation of the process of "endogenous" democratization—of the relationship between economic growth, inequality, and regime change. We start by turning the Meltzer-Richard model on its head. We assume that an elective affinity exists between property and democracy, rather than tension, and that a causal arrow runs from the former to the latter. In our view, regime change does not emerge from autocratic elites' fear that the poor would expropriate their wealth under democracy. It instead results when politically disenfranchised yet rising economic groups seek to rein in the power of autocratic elites to expropriate *their* income and assets.

We will argue and demonstrate empirically that the threat from the median voter under democracy is largely irrelevant to the story of regime change. Instead, we presume that elites who control the autocratic government represent the far greater threat—to the property of those who lack political rights. Typically, economic development brings about the rise of new economic groups, whose members are wealthier than average and who have growing economic interests to protect, but who lack political rights. Given their precarious political position, these rising elites will invest in changing the political regime, in an effort to rein in its expropriative authority.

The roots of this argument lie in Enlightenment liberalism, which connects the rise of commercial society with demands to rein in arbitrary government authority over individual rights, particularly over property. In recent decades, just as Meltzer and Richard were translating the "democracy *or* property" thesis for modern social science, scholars such as Douglas North (1986) were doing the same for the "democracy *and* property" antithesis. Perhaps the best-known modern statement linking greater demand for property rights to greater demand for limited government is North and Weingast's (1989) explanation of the emergence of limits on state authority during England's Glorious Revolution. The emergence of democracy takes a back seat in this tale, which focuses on explaining the sources of economic growth, but the authors' emphasis on the importance of secure contract and property rights is clearly rooted in Enlightenment liberalism (see also Weingast 1997).

Scholars of regime change have largely ignored the implications of these ideas. Indeed, Przeworski (2007, 6) has gone so far as to suggest that North and Weingast's argument would "bewilder" nineteenth-century observers. This view is erroneous, as is the more relevant notion that it was consensus opinion at that time that the poor would, if given the opportunity, use the vote to soak the rich. In fact, nineteenth century observers would readily recognize the influence of John Locke, who not coincidentally published his *Two Treatises* the year of the Glorious Revolution, in North and Weingast. More importantly, contemporary scholars who write in the spirit of North's "neoclassical theory of the state" build on a well-known intellectual tradition that draws on elements of Enlightenment liberalism—a body of thought hardly unknown in the early nineteenth century.

Enlightenment liberalism was not exclusively concerned with property, but material interests were always central—and Locke's emphasis on individuals' material interests and the threat that control over government poses to life, liberty and property proved intellectually and politically influential.[7] Adam Smith, for example, drew this connection out explicitly, stating that although some government involvement in the economy was necessary, oppressive government was an obstacle to economic development and was best prevented by parliamentary sovereignty and taxation by representative consent. Malthus agreed, believing the greatest threat to liberty was the growth of executive power, and that both small landholders and emerging urban middle classes offered a necessary counterbalance (Jones 1990).

Emerging theories of limited government did not focus on protecting the rich from the poor, but on protecting property holders from arbitrary and tyrannical government authority. Utilitarians later built on these ideas. For example, echoing Hobbes and Madison, in his *Essay on Government* (1820), Jeremy Bentham's disciple James Mill (father of John Stuart) argued that to guarantee individuals' security of property, protection against the government was more important than protection against each other (Krouse 1982, 513). James Mill harbored a deep suspicion of power held by a narrow elite, and like Bentham and Montesquieu sought to articulate a theory of the "protective" functions of government. Mill and his Utilitarian contemporaries believed that autocracy allowed narrow private interests to hijack the public interest (Collini, Winch, and Burrow 1983, 109)—and the narrower the suffrage, the greater the influence of private interests.

Deriving "democratic conclusions from Hobbesian premises" (ibid., 108), Mill concluded that suffrage equaled protection against tyranny—and that logically, the wider the suffrage, the greater the protection. Democracy and property were compatible for Mill because a broad franchise would remove wealthy voters' ability to exploit non-voters (Dunn 1979, 24). Although Mill had little love for the masses, he "hated the few more than he loved the many" (Thomas 1969, 255) and believed like Bentham (and later, Gramsci) that the poor posed no danger to the rich because they were ideologically dominated

[7] A cogent summary of the origins and influence of the liberal idea of "protective democracy" can be found in (Held 1987, Chapter 2).

by the (conservative) middle classes, and tended to respect property (Collini, Winch, and Burrow 1983, 104; Dunn 1979, 24n).

Mill's argument extended Locke's notion of the protective functions of government, and other prominent liberals shared his views. For example, Malthus' and Mill's friend David Ricardo, a strong advocate of laissez-faire capitalism, free trade, and minimal taxation, also passionately defended politically liberal causes, including parliamentary reform (Peach 2008). Although he is sometimes mistakenly cited as advocating suffrage limited to property holders (e.g., Collini, Winch, and Burrow 1983, 107; Przeworski 2010, 82), Ricardo also agreed with Mill and other liberals that the poor would not vote to overturn property, stating that fear of the poor was a "bugbear by which the corrupt always endeavor to rally those who have property to lose around them" to oppose suffrage expansion (Ricardo [1824] 1888, 555). He demurred about the benefits of *universal* suffrage but argued that expanding the electorate would nonetheless "substantially secure to the people the good government they wish for" by reducing corruption and rent-seeking (ibid.).

Unlike his father James, John Stuart Mill emphasized government's educative over its protective functions, a more elitist view. However, contrary to what RSS (2) imply, J.S. Mill did not believe democracy and property were incompatible. Instead, he hewed to the liberal notion that the primary purpose of government was "the provision of a legal framework for making and enforcing contracts, and to defending the liberty, rights, and life of persons and property" (Gibbons 1990, 101), and in his *Considerations on Representative Government* he repeated his father's argument that individual security would be maximized under democracy, because autocracy offers opportunities for the ruling class to exploit its narrow interests at everyone else's expense (Krouse 1982, 528).

Ever since Hobbes, political theorists have highlighted the necessity of the state to discourage predation by one private party against another. Yet these same scholars also understood that Leviathan could become the predator; this fear that a government powerful enough to control citizens could also threaten their liberties rests at the very core of Enlightenment political thought. Resolving this tension remains one of liberalism's central concerns. Locke argued that government's primary purpose was to protect individual rights—to life, liberty, and property. And for liberals like Malthus, Smith, Ricardo, and both Mills, democracy offered relatively greater protection than autocracy. Such theories of limited government were comparatively unconcerned with protecting the rich from the poor, and focused instead on protecting property holders from abuse of government authority.

1.5 DEMOCRACY, PROPERTY, AND ELITE COMPETITION

The long appeal of the notion that democracy and property are in tension can be traced to its roots in both radical and conservative political thought.

Yet the intellectual origins of Modernization Theory—and of the notion of "endogenous" democratization—actually lie with the antithetical notion that democracy and property are fully compatible. Building on Enlightenment liberal ideas and more recent neo-institutionalist research, we draw attention away from demands for redistribution, and toward demands for protection of property rights—to the connection between taxation and (the demand for) representation.

Contemporary neo-institutional theories—such as those of North and Weingast (1989), Douglas North's (1990) "neoclassical theory of the state," Mancur Olson's (1993) conception of the state as a "stationary bandit," and Margaret Levi's (1989) theory of "predatory rule" all begin from a similar premise: all else equal, property rights are likely to be relatively more secure under democracy.[8]

Given this, although economic exchange typically occurs within the existing political rules, North suggests that regime change can occur when citizens "find it worthwhile to devote resources to altering the more basic structure of the polity, to reassign rights" North (1990, 47). In particular, citizens may seek to extend third-party enforcement of contracts and property rights in order to "eliminate rulers' capricious capacity to confiscate wealth" North (1990, 51). Bates and Lien (1985) argued similarly that limited government follows from actors' efforts to "wrest control over public policy from revenue-seeking monarchs" (53).

What sorts of political actors will seek to broaden suffrage and impose limits on government authority? And under what conditions will such actors gain sufficient resources to become politically effective? Our understanding of the relationship between economic development, inequality, and regime change differs in two important ways from arguments that focus on the threat from the median voter: (1) in terms of which social actors drive regime transitions and (2) in terms of the nature and political impact of economic inequality.

First, redistributivist arguments focus on elites' relative fear of the median voter—and thus on the mobilizational capacity of everyone who earns less than the median voter. However, redistributivist arguments have ignored the fact that the median voter is typically quite poor, particularly in developing autocracies. That is, one cannot assume that the median voter is—in sociological, cultural, or political terms—a member of the "middle" class. Individuals with incomes and social status we consider middle class are, as we detail in Chapter 2, typically found in the upper quartile—or even the upper decile—of the income distribution. Often, even members of the working classes earn more than the median income.

8 Counter-examples exist, but are historically rare. For example, Barro (1991, 284) found only three modern dictatorships that were not hostile to private property, only one of which has not since democratized (Singapore) (see also e.g., Leblang 1996; Rodrik 2000). Recent work on autocratic regimes has not questioned this view (see e.g., Gehlbach and Keefer 2011).