PART I

ELECTORAL RULES, ETHNICITY, AND HEALTH IN DEVELOPING COUNTRIES

Part I lays the theoretical foundation for this book by developing and testing a "Socio-institutional Theory of Public Goods Provision" to explain the diversity of health and education outcomes in developing democracies. After identifying the puzzle and briefly overviewing this book's central theory in Chapter 1, the second chapter lays the foundations for the remainder of this book by reviewing existing electoral theory on public goods and defining concepts and measures. Demonstrating that existing theory falls short, especially in the developing world, Chapter 3 incorporates countries' underlying social structures into a theory that posits that electoral rules function differently in different types of societies. Three dimensions of social structure are introduced to determine societal type: the diversity of ethnic groups, their economic equality, and their geographic distribution. The new theory argues that different arrangements of these three variables in combination with electoral rules will lead to different party-building and policy-making strategies than those asserted under existing electoral theory. Finally, Chapter 4 tests the theory cross-nationally on health and education outcomes in developing democracies using a new data set on social structure.

1

Ethnic Diversity or Institutions? The Source of Public Goods Underprovision

> Democracy is about inclusion and exclusion, about access to power, about the privileges that go with inclusion and the penalties that accompany exclusion. In severely divided societies, ethnic identity provides clear lines to determine who will be included and who will be excluded. Since the lines appear unalterable, being in and being out may quickly come to look permanent.
>
> Donald Horowitz (1994)

> Politics in Mauritius is like Kentucky Fried Chicken (KFC) – both succeeded here because they found something that all ethnic groups could agree on.
>
> Norbert, Mauritian Voter (2008)

1.1 THE PUZZLE OF PUBLIC GOODS PROVISION IN DEVELOPING DEMOCRACIES

Over the past three decades, the average per capita income for the sub-Saharan Africa region was $693, lower than any other region in the world.[1] The Democratic Republic of the Congo (DRC) has the poorest record of all African nations. In 2009, the average DRC citizen lived on around $300 a year; infants could only expect to live to the age of forty-seven years and obtain just 4.3 years in formal education (UNESCO 1999; World Bank 2008, 2009). Poverty was widespread, hunger and malnutrition a way of life, with little hope for mobility up the social ladder or expectation of improvements in the society at large. In contrast, over the same thirty-year period, East Asia grew at a phenomenal rate. South Korea, the region's most recent entrant

[1] In U.S. dollars, 2003 constant prices (United Nations). The second lowest region was Latin America, whose GDP per capita averaged $2,038, just under three times greater than the African level, followed closely by Eastern Europe/Former Soviet Union at $2,632 per capita.

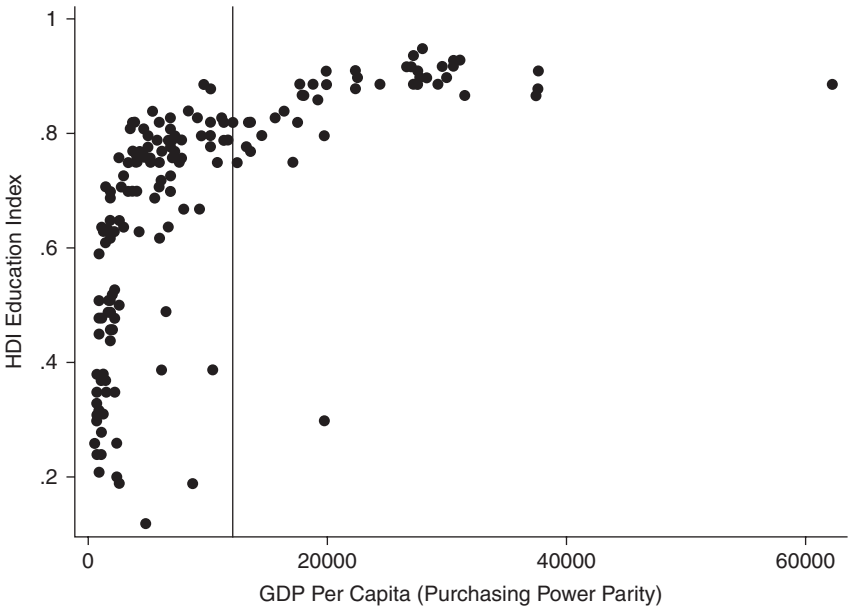

FIGURE 1.1 Scatterplot of Life Expectancy Scores by GDP Per Capita
Author's creation; data from United Nations Human Development Indicators, 2006.

into the club of highly developed economies, was thought in the 1960s to have the poorest prospects among all Asian countries for such a transformation. Indeed, in 1965, the DRC's per capita income was twice that of South Korea. Today, South Korea enjoys an average income eighty-eight times that of the DRC, about $28,000 (higher than New Zealand, Portugal, and Cyprus), and life expectancy and literacy rates comparable to Western Europe (CIA 2007; World Bank 2008; NationMaster 2010). How are some countries able to develop so rapidly, while others continue to stagnate at levels marginally better than a few decades earlier?

To illustrate this development puzzle more broadly, I turn to the United Nations' *Human Development Index* (HDI), which has published measures of "a long and healthy life, knowledge and a decent standard of living" for more than 170 countries every year since 1990 (UNDP 2006).[2] Countries are assigned a score on a 0–1 interval with 1 representing the highest level of human development for health and education, and a composite index that incorporates the former plus a measure of the country's wealth. Despite the crudeness of these measures, they are useful in illustrating the wildly varying performance in human development. As Figures 1.1 and 1.2 show, GDP per capita is a powerful correlate of education and health scores. However, below a per capita income of $12,000 – roughly the upper bound for middle-income

[2] One hundred seventy-seven countries as of 2008.

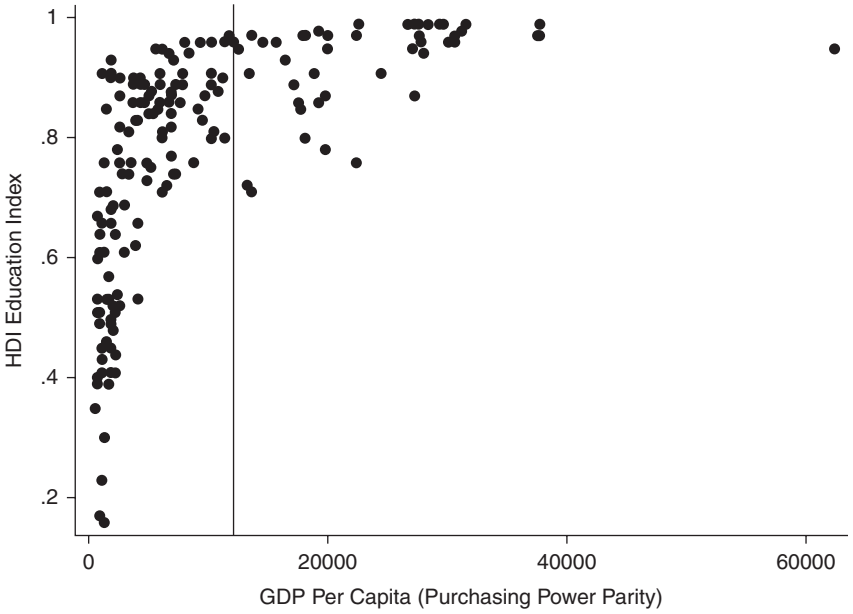

FIGURE 1.2 Scatterplot of Education Scores by GDP Per Capita
Author's creation; data from United Nations Human Development Indicators, 2006.

countries – the variation is much greater; for example, some middle-income countries perform as well as high-income countries, while others are comparable to the very poorest countries.[3]

To assess which middle-income[4] countries are underperforming given their wealth levels, I compute predicted scores for the UN health, education, and composite measures. Table 1.1 shows the difference between a country's *predicted* HDI scores and its *actual* scores. The predicted scores were calculated by regressing actual scores for all middle-income countries on logged GDP and region.[5] Positive values in Table 1.1 indicate that a country is doing better in human development than one might predict knowing only its GDP per

[3] Other scholars have highlighted a similar weak relationship between economic development and social policy spending (government spending, level of government revenues) when including developing countries in their studies. See Adsera and Boix (2002) and Mares (2005).

[4] I define a middle-income country to have a PPP per capita of between $4,000 and $14,000 in 2005. Of the 177 countries that the UN Human Development Report gathered data on in 2005, the sample of middle-income countries includes 67, or just more than a third of all countries for which data is available (in other words, the middle "third" of countries). I define democracies as countries with a Polity IV score of ≥0.

[5] Region is measured by a dummy variable, where 1 represents sub-Saharan Africa and 0 otherwise. The Africa control is to account for the abnormal amount of diseases in the region and also the "unique colonial history," as Brown (2000) puts it, which impacted the region's education systems. Also see Englebert (2000).

TABLE 1.1 *Middle-income Democracies, Difference between Predicted Health, Education, and Composite Index Values, Controlling for Region* and *GDP (Logged)*

Composite		Health		Education	
Cape Verde	**0.11**	**Cape Verde**	**0.27**	Armenia	0.12
Mauritius	**0.11**	**Mauritius**	**0.25**	Ukraine	0.11
Armenia	0.06	Costa Rica	0.1	Guyana	0.1
Albania	0.05	Chile	0.09	Namibia	0.1
Uruguay	0.05	Albania	0.08	Philippines	0.09
Chile	0.04	Armenia	0.06	Uruguay	0.09
Costa Rica	0.04	Macedonia	0.06	Latvia	0.08
Philippines	0.04	Panama	0.06	Lithuania	0.08
Sri Lanka	0.04	Jordan	0.05	Russia	0.08
Bulgaria	0.03	Mexico	0.05	Albania	0.07
Jordan	0.03	Uruguay	0.05	Bulgaria	0.07
Macedonia	0.03	Venezuela	0.05	**Mauritius**	**0.07**
Panama	0.03	Lebanon	0.04	S. Africa	0.07
Paraguay	0.03	Croatia	0.03	Argentina	0.06
Venezuela	0.03	El Salvador	0.03	Cape Verde	0.06
Argentina	0.02	Jamaica	0.03	Botswana	0.06
Colombia	0.02	Paraguay	0.03	Jordan	0.06
Latvia	0.02	Philippines	0.03	Paraguay	0.06
Lebanon	0.02	Argentina	0.02	Poland	0.06
Lithuania	0.02	Colombia	0.02	**Indonesia**	**0.05**
Peru	0.02	Malaysia	0.02	Peru	0.05
Poland	0.02	Poland	0.02	Romania	0.05
Croatia	0.01	Algeria	0.01	Venezuela	0.05
Guyana	0.01	Bulgaria	0.01	Lebanon	0.04
Indonesia	**0.01**	Peru	0	Macedonia	0.04
Jamaica	0.01	Romania	0	Panama	0.04
Mexico	0.01	Brazil	−0.02	Brazil	0.03
Romania	0.01	Guatemala	−0.02	Chile	0.03
Ukraine	0.01	**Indonesia**	**−0.02**	Colombia	0.02
Brazil	0	Latvia	−0.02	Sri Lanka	0.02
El Salvador	0	Lithuania	−0.02	Costa Rica	0.01
Thailand	**0**	**Thailand**	**−0.03**	Croatia	0.01
Malaysia	−0.01	Saudi Arabia	−0.04	**Thailand**	**0.01**
Namibia	−0.01	Turkey	−0.04	Jamaica	0
Russia	−0.01	Dom. Rep.	−0.06	Dom. Rep.	−0.01
Trinidad	−0.02	Trinidad	−0.06	Mexico	−0.01
Turkey	−0.02	**India**	**−0.07**	Trinidad	−0.01
Dom. Rep.	−0.03	Ukraine	−0.07	Malaysia	−0.03
S. Africa	−0.03	Guyana	−0.09	Turkey	−0.04
Algeria	−0.04	Russia	−0.12	El Salvador	−0.05
Guatemala	−0.04	Namibia	−0.14	Guatemala	−0.11
India	**−0.07**	S. Africa	−0.17	Algeria	−0.12
Botswana	−0.10	Botswana	−0.37	**India**	**−0.15**

Author's creation: data from UN Human Development Indicators, 2006.

capita and region. Negative values indicate the converse – underachievement in human development, loosely speaking.

I highlight a couple of comparisons. India and Indonesia have a GDP per capita (PPP) that is roughly equivalent, $2,900 and $3,900, respectively (*Central Intelligence Agency World Factbook* 2007). Both are vast countries with large and diverse populations and gained independence around roughly the same time. While we see that neither country has outstanding achievements, Indonesia is in the top half for education alongside Argentina, which had a GDP per capita of $14,500 in 2007. Indonesia slightly underperforms in health, but India seriously underperforms in both health (7th from bottom) and education (2nd from bottom). There is similar disparity between the two main countries under study in this book: Mauritius and Thailand. The composite score shows that Thailand falls just about where expected given its GDP per capita, while Mauritius is a high performer in both health (1st overall) and education (12th overall). These comparisons illustrate the great divergence in the provision of public goods within developing democracies.[6]

1.2 DIVERSITY OR INSTITUTIONS?

Ethnic diversity is frequently cited as a major explanation for this huge divergence in development trajectories that we observe worldwide. Countries with many ethnic groups are more likely to engage in civil war and have a harder time formulating good government policies and providing necessary public goods such as health care and education. The DRC is a highly ethnically diverse country. With more than 200 ethnic groups identified, the four largest constitute just 45 percent of the population (CIA 2010). Gaining its independence from Belgium in 1960, the DRC has had three major civil wars, and frequent minor ethnic conflicts in between.[7] The most recent conflict has been waging since the mid-1990s and has claimed more than 5 million lives (International Rescue Committee 2007). Within Asia, we also find examples of ethnically diverse countries that have poor growth rates similar to those found in many African countries. Consider the country of Myanmar. As an ex-British colony with strong infrastructure and education endowments compared to South Korea, in the 1950s, Myanmar was viewed by analysts as the most likely to experience rapid development in the region. Its per capita income was nine times that of South Korea in 1960 (World Bank 1997). In 2009, however, it had the lowest GDP per capita in the whole Asia-Pacific region (International Monetary Fund 2009). Ethnic conflict, first among political elites, but later

[6] In the majority of this book, I focus on health, although the arguments are similarly applicable to education and other public goods, which I include in the quantitative analysis in Chapter 3.

[7] Indeed, only seventeen of the past fifty years have been free of ethnic or civil violence in the Congo, DRC (Center for Systemic Peace [CSP] 2009; Political Instability Task Force [PITF] 2009). Note that the consolidated list for CSP's Major Episodes of Political Violence Dataset only went up to 2004, so the remaining years come from PITF's State Failure Problem Set.

among the population more generally, caused the country to stagnate in the 1950s and has inflicted it ever since.

In contrast to Myanmar and the majority of African countries, most of the Asian success stories are ethnically homogenous. Japan, Korea, Taiwan, Hong Kong, and Singapore each have majority ethnic groups that constitute more than 80 percent of the population; South Korea is the most homogenous country in the world according to most sources (Alesina et al. 2003; Fearon 2003). As such, these countries have avoided the extensive ethnic conflicts that frequently destroyed physical and human resources, or led to underprovision of public goods due to coordination problems among political elites. Although the examples are fewer and certainly less extreme than Asia, most of Africa's development success stories (Seychelles, Botswana, Equatorial Guinea) are also among the most ethnically homogenous countries in the region. At first glance, then, the Africa and Asia growth experiences seem to offer corroborating evidence for the ethnic diversity development theory.

The central premise of this book argues against the diversity development theory. Despite these corroborating examples, ethnic diversity is not the cause of "Africa's growth tragedy"[8]; political institutions are. The key to functioning political institutions in a multiethnic society is in breaking down the clear lines of inclusion and exclusion that, as Horowitz notes in the quote that introduced this chapter, are inherent to democracy. On the exclusion side of the equation, institutions should not permanently lock any ethnic group out of the government. On the inclusion side, however, political institutions should encourage ethnic groups to come together in multiethnic political parties rather than seeking to guarantee proportional representation to all ethnic groups.

But this book does not focus solely on ethnically diverse countries because poorly designed institutions can hamper development in homogenous countries too. The central story in this book details how the same set of electoral rules led to the underprovision of public goods in ethnically homogenous Thailand (Asia), but to high provision in multiethnic Mauritius (Africa). Indeed, the case of Mauritius shows that there is nothing inherent about ethnically divided societies, nor indeed about Africa, that leads to poor public goods. For the past few decades, Mauritius has boasted the most stable society and fastest-growing economy in Africa and has recently joined the club of "high development" countries (United Nations Development Program 2006). Likewise, there is nothing inherent about Asia or homogenous countries that guarantees high public goods provision. Indeed, only when Thailand changed its electoral rules in 1997 did we see a change in elected politicians' behavior to providing public goods. Thus, appropriately designed democratic institutions were the key to high public goods provision in both countries.

[8] This phrase is taken from the title of Easterly and Levine's (Easterly and Levine 1997) seminal article on ethnic fractionalization and economic growth.

The analogy of fast food restaurants in Mauritius, where I undertook field research for this book in 2008, serves to introduce my central theory. Norbert, the Mauritian voter quoted at the outset of this chapter, likened the success of political institutions in his ethnically diverse country to KFC. KFC is the only fast food "institution" that has really succeeded in Mauritius and can be found in all the major cities. The reason for its success is, because Hindus refrain from eating beef and Muslims from pork, chicken is the only meat they can agree on. Indeed, Mauritian Hindus, Muslims, Creoles, Chinese, and French all eat side by side in KFC restaurants every day. The design of political institutions in Mauritius likewise forced its multiethnic population to work side by side, ensuring ethnic harmony that has avoided any serious conflict and contributed to interethnic coordination on a variety of issues.

McDonalds, in contrast, can only be found in the capital city of Port Louis – a single establishment catering mostly to tourists and Westerners working in the city. Its marketing campaign has been to provide all meats for all groups – to maximize representation, if you will. It thus has real *ham*burgers on the menu (i.e., not beef), chicken burgers as well as beef burgers. Interestingly, Mauritians have not taken to this restaurant as well. In trying to explicitly cater to each ethnic group, McDonalds ends up alienating Hindus who do not want beef and Muslims who do not want ham cooked in the same establishment as their food. A fast food chain that enjoys primacy in almost every other country plays second fiddle to the Colonel! Clearly, what works in some countries does not work in all. To be successful, fast food restaurants, like political institutions, have to be appropriately designed for the underlying social structure.

1.3 DESIGNING DEMOCRACIES

Why Democracies? Why Design?

I choose to focus on democracies for three main reasons. The first reason is normative. Democracies provide citizens with a high level of political freedoms, which Sen (1999) argues is part and parcel of the broader meaning of "development." However, if democracies fail at providing the more basic elements of development – wealth and health – the freedom to complain to one's political representatives about the lack of development seems a somewhat hollow consolation prize. Recent scholarship has shown that democracies are better at providing public goods than non-democracies in general, the logic relying on democratic politicians' need to cater to broad electoral bases, high levels of political competition, and pressure from interest groups (Przeworski et al. 2000; Lake and Baum 2001; Avelino, Brown, and Hunter 2005; Haggard and Kaufman 2008).[9] Yet despite this evidence,

[9] Mulligan et al. (2003) is an exception, finding no relationship between democracy and development.

and as the list of countries in Table 1.1 shows us, some democracies still perform poorly.

How can democracies provide both political freedoms and socioeconomic development? Political scientists have long argued that changing the rules that govern how politicians obtain, maintain, and exercise power can greatly affect how politicians behave and the types of policies they implement. Thus, my second reason for focusing on democracies is that there is already a fairly sophisticated science of democratic institutions, often referred to as *constitutional engineering*. As a field we have developed rich taxonomies with which to compare democratic rules and have begun to develop and test theories about which rules are better for a variety of political, social, and economic outcomes. The same is not currently true for non-democracies that seem to be less interested in institutional design anyway.[10] Nevertheless, while we are far enough along to understand that the way politicians behave in response to democratic institutions is not entirely specific to time, place, culture, or personality, there are still too many exceptions to the rules that currently impede the establishment of more general laws. Over the past few years, an increasing number of scholars have begun to explore this "context conditionality" of institutions more systematically.[11] And it is to this collaborative effort that this book seeks to contribute.

In a related point, the final reason for focusing on democracies is that they have been a lot more susceptible to experimenting with new institutional designs, a notion perhaps foreign to countries such as the United States whose central political institutions have endured for more than two centuries. Elsewhere, constitutions change with surprising frequency. Thailand, for example, has had no fewer than seventeen constitutions since 1932! Even established democracies have changed major constitutional elements in the recent past. The United Kingdom devolved power to local assemblies in Scotland and Wales in 1998 and is currently considering adopting alternative electoral rules. New Zealand, which I examine in Chapter 6, changed to proportional representation rules in 1993, with dramatic effects on its party system and public goods provision. Indeed, over the past decade alone we have seen at least twenty-eight democracies make significant changes to their electoral rules (Reynolds, Reilly, and Ellis 2005).[12] In addition, numerous countries have made the transition from authoritarian regime to democracy. Freedom House puts the number of democracies at 122 (64% of the world's states) as of 2005, up from 65 in 1988, representing just under a 100 percent increase (The Economist, Nov. 16,

[10] At least we do not currently have the tools with which to identify institutional change in such regimes. Several scholars are contributing to an increasingly sophisticated classification system and study of non-democracies, however. See Geddes' (1999) classic typology, Bueno de Mesquita et al. (2003) for a different approach, and Malesky and various coauthors (Malesky, Abrami, and Zheng 2011; Malesky and Schuler 2011) as more recent applied examples.

[11] This term is from Franzese (2007).

[12] Ten years on, this number has certainly increased.