

I

Introduction

In the course of the last half century, democracy has gone from being a relatively rare breed to a form of government under which the majority of countries in the world operate. Scholars, pundits, and citizens alike have hailed this sea change as an advance for freedom, well-being, and opportunity. And an advance it is – like no other the world has previously seen. Starting with the transitions that began in Southern Europe in the late 1970s, the trend toward democracy spread to Latin America. The Latin American democratizations occurred largely in tandem with unexpected transitions in Eastern Europe after the fall of the Iron Curtain. They were then followed by unlikely cases such as Mongolia, Indonesia, Ghana, and even Tunisia.

As a result, citizens across much of the globe are now able to speak and associate freely and elect and replace their representatives while being protected from the arbitrary and often violent dictates of authoritarian rule.¹ Not only do these citizens enjoy the intrinsic benefits of political liberty, but they should also, in theory, enjoy a host of instrumental benefits such as a more responsive government, greater economic opportunities, social mobility, and an expanded safety net. These broad differences between life in democracy and in dictatorship have been enumerated and examined throughout the ages, starting with the first political philosophers up until contemporary democratic scholars.

Fortunately, as the set of democracies has expanded and covered larger portions of the globe, it has become easier to test time-honored beliefs about these differences. Over the past few decades, advances in mathematical modeling and state-of-the-art statistical techniques have allowed scholars to examine the

¹ In Chapter 9 we discuss what appears to be an inflection point: this democratizing trend has been interrupted by creeping authoritarianism in countries such as Russia, Hungary, Poland, Turkey, Venezuela, South Africa, and the Philippines.

differences between democracy and dictatorship more carefully and systematically than ever before. The first generation of work using these tools seemed to corroborate the basic intuition that democracy is *of* the people, enacted *by* the people – and, crucially, *for* the people – in opposition to tyranny by one man or oligarchy by the few. But cracks have begun to emerge in the consensus that democracies are actually forged by the people and that their policies are intended to benefit the people.

Take South Africa. During apartheid, its black citizens clamored for the right to vote, for access to land, for access to education and jobs, and for freedom from institutionalized race-based discrimination. Yet when democracy finally came in 1994, it was not necessarily forged by the people: indeed, during the transition process, the outgoing apartheid regime was largely in the driver's seat. The first five years of democracy were governed by a transitional power-sharing agreement in which the newly empowered African National Congress (ANC) agreed that the outgoing apartheid National Party (NP) would be part of the government despite a lack of popular support. Cabinets were to make consensus decisions. Moreover, the transition deal gave provinces – including some designed expressly for domination by whites – the authority to adopt their own constitutions. Whites in these provinces were awarded a veto in local governments over policies that affected them. A sunset clause protected military, police, and civil service members – again, overwhelmingly whites – from replacement once the new government was in power. In short, the NP basically had veto power over the institutional design of the country.

Because South African democracy was not created *by* the people, it is not governed *for* the people. Ownership over major swathes of the economy and control of the education system as well as the judiciary have remained largely in the hands of those elites who reigned under apartheid. Despite two decades of rule by the ANC, inequality in the country is higher now than it was at the end of apartheid. Land reform is shackled by red tape and the resistance of recalcitrant landowners. Blacks make up 80 percent of the population, but they earn one-sixth of what white citizens earn on average. Indeed, with a Gini index above sixty-three, South Africa is the third most unequal place on earth.²

To be sure, a nascent black elite has begun to replace the former apartheid-era oligarchy. But these new elites are more intent on guarding their new-found status and wealth than on ushering in a new era of shared prosperity. Corruption, cronyism, and the repression of labor abound. As a result, many South Africans now clamor for much more radical policies, such as large-scale redistribution imposed by the state, even if that means abandoning the democracy they fought so hard to obtain.

Unfortunately, the experience of South Africa is not an uncommon one. Consider the democracies that have been founded in the last several decades.

² The Gini index ranges from 0, indicating perfect equality, to 100, indicating perfect inequality, in which one individual earns all the income in a society.

Introduction

3

Many suffer from high inequality and public spending profiles oriented away from education and other public goods. Social insurance and welfare transfers for the poor are drastically insufficient. While poverty, inequality, and corruption are endemic, crime and violence are often everyday occurrences for a large share of the population. Even more disheartening is the fact that polls conducted across the developing world reveal that the citizens of relatively new democracies are dissatisfied. Many often view bygone eras of authoritarianism with nostalgia, and some support their return.

Why has the quality and breadth of democracy been so disappointing? Why have levels of inequality, poverty, and corruption become alarmingly high, even decades after transitions from authoritarianism? Why have many democracies failed, both today and in the past, to live up to the potential that so many attribute to them?

In addressing these questions, this book strongly challenges the conventional wisdom that democracy is created by and for the people. It poses the bothersome, yet important, possibility that in terms of institutional design, the allocation of power and privilege, the content of public policy, and the lived experiences of citizens, democracy might not reset the political game. Those who benefited under the previous dictatorship often continue to do so well after they formally step down. In short, most democracies might not be all that different than their authoritarian predecessors in terms of material consequences. And while some democracies are indeed created by and for the people, or manage to escape the endemic flaws that they were born with, this is a hard-fought and rare occurrence.

Therefore, in this book we grapple with perhaps the biggest questions in the study of comparative politics: What are the meaningful differences between autocracy and democracy? Where does democracy come from? What are the effects of democracy on human welfare? We conclude that both analysts and citizens must take off their rose-colored glasses if they are to truly understand – and address – the host of imperfections that beset democracies across the globe. Democracy is often an enterprise undertaken by elites and for elites. The timing of democratic transition, as well as the very institutional architecture of democracy itself, is frequently determined by elites prior to exiting dictatorship. As a result, democracy often serves their interests well after transition.

MAJOR EXISTING EXPLANATIONS

Our arguments and evidence in this book depart in crucial ways from how scholars typically think about democracy and its effects. Existing scholarship can be roughly grouped into two camps. The first is composed of researchers who take the orthodox view that democracy is constructed by the people and for the people. The second camp is more clear-eyed about democracy's flaws, admitting that democratic institutions and policies can be distorted and

therefore do not always reflect the preferences of the majority. In contradistinction to what we argue in this book, however, this camp does not go so far as to conclude that democracy's flaws are the byproduct of deliberate measures taken by the previous outgoing authoritarian regime: institutions designed by outgoing elites before they exit the stage.

Democracy: Of, By, and For the People

The conventional wisdom is that democracy grows organically from the people and implements their will. It is more politically egalitarian and more responsive to the demands of the majority than dictatorship. Usually, democracy is also theorized to be more economically egalitarian, primarily because of this responsiveness.

This is an old view. A very diverse group of celebrated thinkers such as Aristotle, Karl Marx, de Tocqueville, and the American Founding Fathers put forth some of these ideas. Of course, not all of these thinkers believed that unadulterated democracy was necessarily a good thing. Aristotle, for instance, feared that democracy could devolve into tyranny. For his part, Marx believed that the only way to prevent the bourgeoisie from reasserting themselves at the expense of workers was through an empowered proletariat that did not have to bother with the rule of law (a "dictatorship of the proletariat"). And the American Founders worried deeply about a potential tyranny of the majority. All of these luminaries did agree on one point, however: democracy distributes power more evenly than its alternatives, and almost always enables the poor to soak the rich.

A more modern literature formalizes the notion that political equality equals economic equality. This literature builds from the well-established finding that political parties have a tendency to coalesce around the median, or representative, voter in their policy platforms. Because the distribution of pre-tax and transfer income is inevitably unequal throughout the world, this puts class conflict waged between the rich and poor at the center of political life. That means that under democracy there will be redistribution between social classes: the rich will pay higher taxes than the poor and the poor will receive transfers that will narrow the gap between them and the rich (Meltzer and Richard 1981).

Drawing on this median-voter view of electoral competition, some authors believe that the rich – rightfully – fear democracy and will block it. Specifically, when inequality is high, elites will block a transition to democracy because they anticipate that democracy will yield massive redistribution (Boix 2003; Boix and Stokes 2003). Yet inequality need not be exceptionally low for elites to accept democracy. Some authors argue that at middling rates of inequality, elites will democratize when the poor pose a revolutionary threat; the rich can only placate a sporadically restive populous by handing over political power (see Acemoglu and Robinson 2001, 2006; Przeworski et al. 2000). Whatever their predictions about how inequality ultimately translates into democracy, what unites these views is that they believe democracy is a credible commitment to redistribution, hence the fear it instills in the wealthy. Moreover, a parallel literature that does not begin from the median-voter premise finds

Introduction

5

empirical evidence that democracies dedicate more spending to public goods and have better social and economic outcomes as a result (Bueno de Mesquita et al. 2003; Clague et al. 1996; Lake and Baum 2001).

The history of the advanced Western democracies supports the claim that if a country experiences a transition to democracy, this will increase redistribution from the rich to the poor majority. The steady widening of the franchise across Western Europe and the United States via the removal of income, wealth, and property restrictions on the right to vote for adult men, followed by suffrage for women, stimulated redistribution (Acemoglu and Robinson 2006; Przeworski 2009; Husted and Kenny 1997; Justman and Gradstein 1999; Lott and Kenny 1999). Progressive taxation and high levels of social spending were the warp and woof of this equilibrium. At first, governments raised direct taxes at increasing marginal rates to provide basic public goods in urban areas undergoing rapid industrialization (Acemoglu and Robinson 2006; Aidt, Dutta, and Loukoianova 2006; Lizzeri and Persico 2004). The state's fiscal role then evolved to encompass national programs devoted to welfare, pensions, health care, and housing (Alesina and Glaeser 2004).

The welfare state experienced a gradual, secular increase over the first half of the twentieth century, followed by a veritable quantum leap during the post-war era. Across the developed world, and especially Western Europe, spending on education and social insurance programs skyrocketed (Lindert 1994; 2004; Steinmo 1993). The heyday of this equilibrium was the so-called embedded liberal international order under the Bretton Woods system of fixed exchange rates. During this era, all democratic governments in the developed world – and many developing countries – used capital controls to avail both fiscal and monetary policy for redistribution, full employment, and social insurance (Dailami 2000).

Even during the post-1970s era of increased globalization, policies that benefit the median voter and the poor under democracy have far from vanished (Epifani and Gancia 2009; Rodrik 1998). Public employment still serves as the backbone of the economy in democracies such as Greece. Elected leaders have successfully implemented effective pro-poor conditional cash transfers in developing countries such as Brazil and Mexico (De La O 2013). And robust welfare states in Western and Eastern Europe seem to have mostly weathered calls for austerity in the wake of the Great Recession and have continued to finance generous safety nets and publicly provided services.

One of the main tenets of the median voter-inspired, social conflict view of democracy is that redistribution should not be the exclusive province of the left. Indeed, it seems that pro-poor policies and redistribution in fledgling democracies often cut across ideological orientation, providing evidence that it is the sheer arithmetic of democracy, rather than ideology, that is driving redistribution (e.g., Huber et al. 2008). This pattern is evident in Latin America. Pro-poor policies in Brazil and Mexico were first enacted by centrist presidents and parties. In Chile, Sebastián Piñera, leader of the center-right Alianza

coalition who became president in 2010, refrained from reversing progressive social policies adopted since 1990 under Concertación governments.

Democracy Is Of and By the People, but Sometimes Not For the People

Although the consensus view is that democracy is politically and economically egalitarian, other authors argue that certain social and economic factors hamstring its ability to operate as a faithful handmaiden of the majority's economic interests. There is evidence that democracies are no more likely than dictatorships to have better health and education outcomes (Ross 2006; Nelson 2007; Truex forthcoming). Furthermore, there is little evidence that they are less likely to engage in crony capitalism and clientelism (Zingales 2012; Keefer 2007). Indeed, even at the highest levels of inequality, where the demand for redistribution is ostensibly greatest, democracy does not, on average, yield redistribution (Perotti 1996).

In addressing the puzzle that political equality does not necessarily translate into economic equality, many researchers have stressed that politics is often about something other than pocketbook issues. Voter choices are impacted by group consciousness, place-based identity, religion, relative well-being, and priming – all of which can cut against economic self-interest (Bartels 2005; Shapiro 2002; Roemer 1998; Walsh 2012). Regional, ethnic, or religious differences might be more salient than class-based redistributive appeals (Roemer 1998; Walsh 2012). And if poorer citizens are relatively risk acceptant and anticipate upward mobility, they might eschew redistribution to avoid being taxed in the future (Benabou and Ok 2001). Alternatively, framing effects and ignorance about the distribution of income and fiscal policies can blunt demands for redistribution (see Bartels 2005; Shapiro 2002).

The lack of a strong association between democracy and redistribution might instead be due to the fact that the median voter requires specific political and economic tools to aggregate and express his or her interests – tools that are not guaranteed under democracy. Power resources theory, one of the dominant explanations for variation in the size and scope of the welfare state in Organization for Economic Cooperation and Development (OECD) countries, holds that strong unions are needed to compress wage and salary distributions and that social democratic parties will more effectively deliver redistributive social policy (Korpi 1983; Stephens 1979; Iversen and Soskice 2006). Political representatives can also unreliably translate the demands of voters into policy. They might have a greater stake in representing the rich (Gilens and Page 2014; Atkinson 2015). Or perhaps they themselves are much richer and more connected than their constituents (Carnes and Lupu 2015).

Even if citizens do hold strong preferences for redistribution, and these preferences are reflected by their representatives, globalization can tie the hands of policy makers by enabling asset holders to move easily across borders to avoid redistribution (Bates 1991; Boix 2003; Dailami 2000; Freeman

Introduction

7

and Quinn 2012; Kaufman and Segura-Ubiergo 2001; Piketty 2014; Remmer 1990; Stokes 2001). A government's ability to regulate labor markets and levy progressive taxation is made more difficult by capital mobility (Dailami 2000). As countries compete to attract investment, they might engage in a race to the bottom in which they reduce marginal tax rates on high income earners, adopt flatter tax structures centered on value-added taxes, and cut both corporate tax rates and rates on capital gains (Bird and Zolt 2005).

Indeed, these appear to be key catalysts of the increased inequality that Piketty (2014) documents since the 1970s. Most of the economic gains in recent decades have been concentrated among the top 10 percent of the income distribution – or, more precisely, among the top 1 percent, if not .01 percent. Atkinson (2015) documents a drastic reduction in the top marginal tax rates on income in industrialized countries starting in the mid-1960s. In the United States and Britain, for example, the highest marginal tax rates in the immediate postwar era exceeded 90 percent. They have since dropped by well over half – indeed, by more than 50 percentage points. There is no country in this set for which there has been a significant increase in top marginal tax rates. Atkinson shows that, intuitively, the increased regressivity of the tax code has mapped onto a greater concentration of income at the very top of the distribution.

Moreover, the anemic recovery from the 2007–2009 global financial crash witnessed across these rich countries greatly benefited top earners, notwithstanding the fact that the global economy seemed to turn the corner in 2017. Wage and asset gains have been nearly stagnant for the middle class and poor in the United States and Great Britain, for example, despite booming stock markets.³ In Spain, Portugal, and Greece, youth unemployment rates surpassed those last seen during the Great Depression.

The bottom line is this: from the vantage of the literature that grapples with the paradox of unequal democracy, democracy is not irreparably broken. Instead, it suffers from a few ailments such as corruption, the inability to process and reconcile multidimensional voter views, agency slack between voters and representatives, or a punishing international environment in which governments have to accept the dictates of global capitalism.

A DEEPER CRITIQUE OF DEMOCRACY

In contrast to the views summarized in the previous sections, we argue that democracy in many cases is not only not *for* the people; it is also not *of* or *by* the people. The aforementioned symptoms are therefore reflective of a much deeper condition that is built into the system itself from the very start.

³ This pattern has been almost entirely reversed in the United States, however. Beginning in 2015, median incomes increased by the largest amount ever recorded and inequality slightly decreased. The pattern has continued since then. Yet, due to slow growth and high levels of workers who remain on the sidelines of the job market, median incomes in the United States remain below their 1999 levels. The same is true for earners in the bottom tenth percentile.

Consider one set of facts that radically challenges received wisdom on the machinery of democracy and its consequences. Democracies are rarely constructed by the representatives of the majority during a movement from below dedicated to political change. Instead, they are often constructed by elites from the former authoritarian regime prior to transition. These elites have little interest in designing institutions that will faithfully represent the majority. To the contrary, they purposefully and explicitly design rules and institutions in a way that blocks the ability of voters to translate their preferences into policy. In other words, democracy is made from above and designed to reflect the interest of former autocratic elites.

At first blush, this might seem like a rather rash accusation. But consider the expression of the social contract at the core of every modern polity: its constitution. From 1800 to 2006, only 34 percent of new democracies began with a constitution that they created themselves or inherited from a past episode of democratic rule in their country. Prominent examples after World War II include Greece, Argentina, the Philippines, and Mongolia. A total of 66 percent of new democracies inherited a constitution that was designed under dictatorship and where outgoing elites dominated the transition process. Chile, Turkey, South Africa, Indonesia, and Thailand illustrate this more common scenario. Indeed, elite-biased democracy becomes more common after World War II. In short, the very DNA of most modern democracies is authoritarian in nature.

We will contend in this book that this simple fact is critical for understanding democracies and for making sense of the puzzle of unequal democracies that do not represent the interests of the median voter. It has enormous practical consequences for the institutional architecture of a democracy, and therefore for what democracy does or does not deliver to its citizens. We will show that many democracies are in fact flawed by design in ways that fundamentally prevent them from addressing social problems, inequalities, and market failures. Before democratization, political elites and their economic allies accumulate wealth, connections, and specialized knowledge about the economy and political system. When the time comes and they bargain their way out of dictatorship to democracy, they then leverage these advantages under elected rule to shape the rules of the game and public policy. Indeed, the advantages of outgoing authoritarian elites are often codified in a constitution that they themselves carefully craft and then impose on a new democracy before exiting. These constitutions pave the way for elites to continue dominating critical political, economic, and cultural institutions.

But why would the political and economic elite who control the political system and the commanding heights of the economy abandon an oligarchic system that deprives the majority of political rights? Elites do not always fare well under dictatorship. In some cases, new factions of political elites ascend to power and expropriate or even destroy longstanding economic elites. Similarly, dictators can be betrayed by their allies and imprisoned, killed, or exiled. These existential threats only provide further reasons for powerful elites to seek

Introduction

9

stable democratic arrangements on their own terms when they have the capacity to do so.

This insight differs from influential accounts of dictatorship, and thus most explanations of democracy (e.g., Acemoglu and Robinson 2006; Boix 2003), because it relaxes the assumption that political and economic elites are a united front and eschews the idea that regimes and transitions are strictly a class-based affair. We identify splits among elites as key drivers of political change, with the most predominant transitions being those to elite-biased democracy.

A skeptic might argue that an elite-initiated and designed democracy as previously explained stretches the definition of democracy beyond recognition and that we cannot possibly be referring to any authentic democracies. However, it is well known that democracy is defined not by just how closely it expresses the will of the majority but also by how strongly it defends minority rights and provides checks and balances. Interestingly, while we later show that elite-biased democracies score poorly on inclusiveness relative to other democracies, they in fact score quite highly on another critical dimension underscored by prominent theorists such as Dahl (1971): horizontal constraints. Therefore, only by focusing solely on inclusiveness while ignoring other important aspects of democracy might one conclude that these elite-biased democracies do not reach the democratic threshold. Indeed, many modern democracies that are universally recognized as such (e.g., Chile) continue to operate under constitutions penned by their authoritarian predecessors and score highly on all major democratic indices.

In this vein, this book illustrates two important points. First, hardly any regime can conform to the strict Dahlian ideal-type democracy that is purely of the people, by the people, and for the people from its inception. Second, if it comes to approximate this ideal, it is usually because reformers have fought tooth and nail to perfect it over time. As we shall show in the following chapters, even some of the world's most celebrated democracies, such as Sweden and other advanced, industrial democracies, began riddled with illiberal institutions that were introduced by their authoritarian constitutions, only to evolve into highly egalitarian paragons of popular rule after they shed these legacies.

Illiberal institutions also continue to guide some of the world's oldest democracies, even in cases where they penned their own constitutions rather than inheriting them from authoritarian predecessors. Consider the United States, which scores at or near the top of every major index of democracy. The United States boasts a stable republican constitution with strong checks and balances, has a long tradition of free and fair subnational and national elections for two coequal branches of government, and evinces robust judicial review that evaluates legislation and executive decisions against the constitution. Simultaneously, however, the United States continues to hold indirect elections for the presidency, its federal system long protected subnational enclaves in which a majority of citizens in some states were deprived of their

basic rights, and until 1913, it maintained an indirectly elected upper chamber that overrepresented state-level oligarchs. Indeed, the American Senate still operates according to rules that require supermajorities to pass ordinary legislation (the filibuster). Gerrymandered electoral districts for the lower chamber alongside high malapportionment in the upper chamber effectively undermine the ideal of one person, one vote.

Throughout this book, we will show that, far from unusual, the United States is typical of the history of most of the world's democracies.

OUR BOOK'S CONTRIBUTIONS

Our book makes several distinct contributions. First, we argue that there are two qualitatively different types of democracy: elite biased and popular. Second, we introduce a new theory and evidence about the causes of democratization. Third, we introduce a new theory and evidence about the scope conditions under which democracy engenders greater egalitarianism. In doing so, we reconcile the paradox that democracies are, on average, not more redistributive than autocracies. Fourth, we challenge idea that capitalism is hardwired to fuel asset and income inequality (Piketty 2014). Instead, capitalism fosters inequality when it is rigged by authoritarian elites to benefit themselves and their economic allies. Crony capitalism of this sort is then sometimes bequeathed to subsequent democracies. Fifth, we bring constitutions back into the study of comparative politics and argue that they matter for explaining the timing, scope, and pace of democratization, as well as outcomes under democracy. Sixth, we challenge the idea that the military is an impartial actor that steps into the political arena to defend the national interest or its own organizational interests and then returns to the barracks (e.g., Geddes 1999). Instead, it is a partisan actor that picks winners and losers and takes its time in doing so.

Finally, we revisit the history of two countries with much scrutinized political regimes – Sweden and Chile – and shift the typical narrative about their political development. This aids in understanding otherwise puzzling aspects of their historical experiences. Of particular note, we demonstrate that Sweden was relatively unequal until the mid-late twentieth century, when its democracy shed the last remnants of elite bias inherited from its autocratic predecessor. We also show that Chile's military dictatorship was not the paragon of neoliberalism it is often portrayed as being; instead, the junta spent its time in office restructuring the political and economic system to benefit its allies and serially violated neoliberal precepts when convenient.

While the remainder of the book is dedicated to developing these contributions, we briefly highlight how some of them differ from existing views here, as we will not always digress into reviews of literatures that appear in our crosshairs – although in both the next chapter and Chapter 3, we identify some of the key works that we draw on or that are similar to ours.