Consolidation of New Democracy, Mass Attitudes, and Clientelism

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When democracy is new it is often fragile or unconsolidated, meaning that important political groups lack full commitment to the democratic process, so that its survival is not assured. What economic policies can a government use to try to prevent a reversion to autocracy?

One answer to this question begins with the argument that the threat to democracy comes from anti-democratic elites – the army, groups such as the wealthy who benefitted most under the old regime, the "oligarchs" – who are seen as basically anti-democratic and who have the power to overthrow the new democratic regime. The "masses" are seen as unambiguously pro-democratic. Under this view, policy to consolidate democracy should focus on placating the anti-democratic elites, or, colloquially but not inaccurately, to "buy them off." This approach has received a superb treatment in Daron Acemoglu and James A. Robinson (2005).

Targeted economic policy to consolidate democracy can be viewed more generally. Survival of democracy (and policy to enhance that) can be thought of in terms of two fundamental questions. The first is: How does the support of different actors affect the probability that democracy survives? The second is then: How do these important actors choose whether or not to support the continuation of democracy or its overthrow? The design of policy to address democratic fragility depends on the answers to these two basic questions. The policy prescription in the previous paragraph, for example, follows from the answers: it is the elites alone who are determinate; and, their support depends on giving them enough that they are content not to overthrow democracy.

Our research on the fragility of new democracies focusses on different, but complementary issues. While we agree that anti-democratic elites pose a serious threat to fragile

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democracies, the support of democracy by the masses cannot always be taken for granted when democracy is new. Survival of democracy may require policy that shores up mass support. Moreover, a key challenge for policy is public attitudes about the efficacy of democracy in addressing economic problems, i.e., that "democracy works" in delivering good outcomes. This is different than simple clientelism that buys the support of key groups via transfers or other material enhancements. In this paper, we want to outline the components of this approach. Our overview will highlight the two specific aspects just mentioned – the importance of public support to the survival of democracy; and the inference problem citizens face as to whether democracy works – while also showing how they may be integrated with the approach focusing on elites discussed above.

1   How Supportive Are The Masses?

There is significant reason to doubt that the masses are unambiguously pro-democratic in new democracies. In summarizing the experience of the new democracies of Southern Europe, Juan J. Linz and Alfred Stepan (1996, p. 144), for example, wrote "the overwhelming majority of consolidated democracies did not actually begin their transition to democracy with a majority of members of the polity or even many of the key agents of the transition being either convinced democrats or citizens who rejected everything about the past regime." They suggest that consolidation of democracy occurs when not only elites, *but also* ordinary citizens come to believe that democracy is superior to any other form of governance to address the problems society faces.

The ambiguous attitudes of the public can be seen in the early years of the Russian democratic transition. Michael McFaul (2001, p. 31), citing public opinion polls (for example, All-Russian Center for Public Opinion, 1996), argues, "From 1990 to 1996, voters in Russia remained polarized between those who supported and those who lamented the transition from communism."

This ambivalence is not unique to Russia. Our analysis (Adi Brender and Allan Drazen,

2007) of data from the World Values Survey (Ronald Inglehart, 2004) supports the view that ordinary citizens in new democracies (as defined in Brender and Drazen, 2005) are not unconditional supporters of democracy. Respondents were asked to give their opinion of the democratic system as a way of governing their country, where the possible answers (on a scale of 4) ranged from "very bad" to "very good". We tabulated differences in the responses between new and old democracies and, after controlling for characteristics such as per-capita income and the age-structure of the population, found that the mean response in new democracies was significantly lower than in old democracies.

2 A Framework of Analysis

We set out a simple model that illustrates the role of public attitudes towards democracy in the survival of democracy and how government policy to affect attitudes may interact with more direct clientelistic policies to "buy off" important groups. The analysis is highly stylized and simple in order to illustrate the main points and allow comparison of alternative approaches. An earlier, but much different model may be found in Brender and Drazen (2007). Here, we consider a simple two-period model, though the model may be extended to a dynamic framework. There are two classes, the elites (or the rich) and the masses (or the public), each with a size normalized to unity.

2.1 "Buying off" elites

The elites can mount a coup against democracy, where, as in Acemoglu and Robinson (2005), reversion to autocracy, say by a coup, implies that a fraction $1 - \phi$ of the elites' flow endowment gets destroyed, where this cost includes not only disruptive effects of a coup itself, but also the cost to the elites of maintaining the subsequent non-democratic regime.

The democratic regime may use fiscal policy towards the elites to try to prevent such a reversion. Current clientelistic fiscal policy towards the elites will be represented by a level

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of current transfers T_1^R, though of course clientelism takes much richer forms. (One should think of these transfers quite broadly, including, for example, preferential treatment in privatizations.) The current tax rate on the two groups is τ_1, where for simplicity we take τ_1 as given. Future tax rates τ_2^R and τ_2^P may differ across the groups, as the government cannot commit to future tax rates even if no coup occurs. Future transfers to the rich T_2^R may also differ from current transfers. For simplicity, assume that the flow endowment of the rich y^R is constant and known, though uncertainty about future income will not change the essence of our argument.

The condition for the elites to mount a coup is similar to that in Acemoglu and Robinson (2005), namely that the elites' net income if they mount an anti-democratic coup is greater than their income under democracy, but with one crucial difference. The cost ϕy^R to elites of reversion to non-democracy is increasing in the degree of mass support for or satisfaction with democracy. Specifically, let us index public support for democracy by μ, where $1 > \mu > 0$ and $\phi'(\mu) > 0$. Elites will mount a coup if:

$$(1 - \phi(\mu))(1 + \beta) y^R > (1 - \tau_1) y^r + T_1^R + \beta E_1^R((1 - \tau_2^R) y^R + T_2^R) \tag{1}$$

where β is the discount factor and E_1^R is the expectation of the elites about future fiscal policy. Hence, for a coup not to be mounted, it must be the case that the income loss from a coup is sufficiently high:

$$(1 + \beta) \phi(\mu) y^R \geq \tau_1 y^r - T_1^R + \beta E_1^R[\tau_2^R y^R - T_2^R] \tag{2}$$

The first term on the right-hand side, $\tau_1 y^r - T_1^R$, is the net tax on the elites (tax payments minus transfers) in the current period. The second is (discounted) expected future net tax.

If ϕ were a constant, or if the government had no way of affecting it, then preventing a coup would require clientelistic policy directed at the elites, either current policy or credible promises of future policy. This is the standard approach focussing on the elites.

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However, when changes in public support for democracy will change ϕ, an alternative to elite clientelism is for government to use policy to increase public support for democracy, thus increasing ϕ and making coups less likely.[1] However, such policy is not simple clientelism, that is, buying the support of key groups via giving them direct benefits.

2.2 Affecting Public Attitudes towards Democracy

Two basic issues are involved in increasing mass support for democracy: first, how mass support for democracy may impede anti-democratic actions by elites (represented by the dependence of ϕ on μ above); and, second, how government may increase public support (as represented by μ). On the first, if public support for democracy is unambiguous, or if it is irrelevant to coups and other elite anti-democratic actions, then policy aimed at the masses will be irrelevant in democratic consolidation. As suggested above, however, in new democracies, support of the masses is neither unambiguous nor irrelevant in the process of democratic consolidation.

One focus of our work on policies to increase mass support for democracy is on how the public may form attitudes about the efficacy of democracy in addressing economic problems. Numerous sources have argued for the importance of good economic performance in the public's evaluation of democracy.[2] More specifically, we focus on how fiscal policy may be used to affect the belief that "democracy works" in delivering good economic outcomes and its implications for democratic survival.

2.3 The citizen's inference problem

The problem that a citizen faces in a new democracy is that current economic performance may not be a good indicator of economic performance over a longer term. The transition to democracy is often associated with large structural changes in the economy; this was particularly true not only in the formerly socialist economies of Eastern Europe, but also in Southern Europe and some Latin American countries. The twin transitions imply that

the government faces the challenge of convincing the public that "democracy works" in spite of economic dislocations, where numerous observers have argued that the costs of the economic transition may jeopardize the survival of democracy. Conversely, however, government attempts to make things look good will be ineffective (or even counterproductive) if they are perceived as such.

To represent these ideas simply, suppose that a citizen's observed income y_t^P at any point in time is the sum of three factors:

$$y_t^P = y^D + g_t + \varepsilon_t \tag{3}$$

where y^D represents "underlying" economic performance of the democratic system (assumed constant for illustration), g_t represents government intervention meant to increase public perception that democracy works, and ε_t is a shock to current performance. None of these three factors is observed by the public, with citizens having subjective probability distributions over g_t and ε_t.[3] The relation between the public's subjective distributions and the actual distributions are key to the government's attempt to affect public attitudes.

The citizen's inference problem is to form beliefs about y^D given the observation y_t and the subjective distributions of g_t and ε_t. Consider a new random variable $z_t = g_t + \varepsilon_t$, where the public's subjective cumulative distribution may be represented by $H^P(z_t)$. Let y^A be the economic performance a citizen associates with autocracy, that is the "old" pre-democratic regime. The probability that y^D is no less than y^A is then

$$\Pr\left(y^D \geq y^A | y_t^P\right) = \Pr(y_t^P - z_t \geq y^A) \tag{4a}$$
$$= \Pr(z_t \leq y_t^P - y^A) = H^P\left(y_t^P - y^A\right) \tag{4b}$$

2.4 Government's effect on beliefs

The government's problem in affecting public attitudes may then be represented as follows.

Suppose for simplicity the government knows y^D, but cannot credibly communicate that knowledge directly to the public. (The government may itself be uncertain about y^D, but probably has a tighter distribution than the public, so that we simply assume that it knows y^D.) Suppose that the government chooses g_t before observing ε_t. Letting the actual distribution of ε_t be $J(\varepsilon_t)$, the *government's expectation* of the probability that the public assigns to $y^D \geq y^A$ as a function of (unobserved to the public) g_t is then

$$\int_{\varepsilon_t} H^P \left(y^D - y^A + g_t + \varepsilon_t \right) dJ(\varepsilon_t) \tag{5}$$

Finally, suppose that y^A, the performance associated with non-democracy differs across individuals according to a distribution $F\left(y^A\right)$. That is, suppose a fraction of the public who characterize the regime prior to the transition to democracy as having economic performance of y' or less is $F(y')$. We then define the index μ of support for democracy as seen by the government to be the expected fraction of the population who believe that the underlying performance of democracy is better than the performance of non-democracy, that is,

$$\mu(g) = \int_{y^A} \int_{\varepsilon_t} H^P \left(y^D - y^A + g_t + \varepsilon_t \right) dJ(\varepsilon_t) dF\left(y^A\right) \tag{6}$$

The effect of changes in g_t on μ depends on the distribution $H^P(\cdot)$, which in turn depends on the public's beliefs about government intervention. If g_t is known, so that increases in g_t are known to shift y_t^P one-for-one, changes in g_t will have no effect on the derived distribution for y^D and hence no effect on μ. When g_t is not observed and the public is uncertain about the degree of intervention (which would be summarized by the subjective distribution underlying $H^P(\cdot)$), the effect of an increase in g_t would be:

$$\frac{d\mu}{dg_t} = \int_{y^A} \int_{\varepsilon_t} h^P \left(y^D - y^A + g_t + \varepsilon_t \right) dJ(\varepsilon_t) dF\left(y^A\right) > 0 \tag{7}$$

2.5 Government policy

We now return to the two-period example to consider government policy towards democratic consolidation, where the first period is taken to be a point of high democratic fragility. (We argue below that election years are such critical points of vulnerability for new democracies.) We want to highlight two features of our approach. First, the essential choice is the trade-off between policy aimed at the elites and policy aimed at the masses. Second, the latter may be policy aimed at public attitudes towards democracy rather than simple clientelism. To make these points most starkly, we represent the government's policy problem toward democratic consolidation as one of cost minimization, that is, what is the least cost way of satisfying (2) with equality, as well as assuming there are no clientelistic transfers to the public.

The government's problem is then to minimize $g_1 + T_1^R$ such that (2) is satisfied. The first order conditions imply:

$$(1+\beta)\, y^R \frac{d\phi}{d\mu}\frac{d\mu}{dg_1} \leq 1 \tag{8}$$

with equality if $g_1 > 0$ (where $d\mu/dg_1$ is given by (7))and

$$(1+\beta)\,\phi\,(\mu)\,y^R \geq \tau_1 y^r - T_1^R + \beta E_1^R[\tau_2^R y^R - T_2^R] \tag{9}$$

with equality if either $g_1 > 0$ or $T_1^R > 0$.

These conditions have a simple interpretation. Condition (9) is simply the "no coup constraint". If it holds with inequality when both g_1 and T_1^R are 0, democracy can be thought of as fully consolidated (as, for example, when μ is so high that anti-democratic elites see the costs of coups as prohibitive). Conversely, if there is no feasible tax rate τ_1 that would allow this constraint to be satisfied, then democracy is certain to collapse. The last term on the right-hand side may be thought of as indicating the value of commitment to future fiscal policy, were this possible. If elites expect to be fully expropriated in the future, then the term in brackets is simply y^R. The lower are the elites' expectations of their

future net tax burdens under a continuation of democracy, the easier it will be to satisfy the no coup constraint. Hence, any way the government can find to make lower future expropriation of elites more credible, the easier will be the job of democratic consolidation.

Condition (8) requires that g_1 and T_1^P are chosen so they have the same marginal effect on satisfying the coup constraint if both are used. However, g_1 might not be used if, for example, such expenditures have little effect on public support for democracy (low $d\mu/dg_1$) or if the level of public support for democracy had little effect on the costs anti-democratic elites associate with coups (low $d\phi/d\mu$). The size of these two effects will determine the extent to which expenditures aimed at increasing public support for democracy will be used.

As discussed in subsection 2.4 above, the effectiveness of such expenditures depends on the public's perception of government intervention relative to the actual intervention. A somewhat rough indication that fiscal manipulation is less observable in new democracies may be drawn from data revisions on public expenditure. In Brender and Drazen (2007) we , compared the data on public expenditure as first reported in the International Financial Statistics of the IMF for a given year with the latest available data for the same year. We found that in new democracies annual government expenditure reported immediately after the election year was significantly lower than finalized data; in non-election years, it was unchanged. (In contrast, in established democracies initial and final reports were similar for election and non-election years.) This comparison is not conclusive, but suggests that new democracies provide a lower quality of data to their citizens in election years.

3   Empirical Implications

Any theory of using fiscal policy to consolidate new democracy, whether focusing on elites or the masses, should imply higher expenditures to protect democracy at times when it is especially vulnerable. In Brender and Drazen (2007) we found that democracy is almost three times more likely to collapse in election years than non-election years in new

democracies, while in older democracies the probability of a collapse of the democratic regime is very small, with similar values in election and non-election years.

Of course, one cannot identify expenditures whose purpose is to consolidate democracy with any degree of confidence. However, in Brender and Drazen (2005) we found that over the period 1960-2001, increases in central government expenditures (relative to GDP) in election years take place predominantly in the first few elections after the transition to democracy. This effect is statistically significant and large – an increase in public expenditure of 0.8% of GDP relative to non election years. In contrast, in elections after the first four, as well as in established democracies, there is no statistically significant increase in central government expenditures relative to non-election years.

Significantly higher government expenditures in election years relative to non-election years in new but not old democracies does not prove that these expenditures are motivated by the desire to prevent reversion to non-democracy at a time of high vulnerability. However, Brender and Drazen (2008) look at voter response to deficit spending in new democracies over the period 1960-2003 and find no evidence that high government expenditures or deficits affect the probability that the incumbent gets re-elected. If increases in central government expenditures in election years do not increase an incumbent's chances of re-election, one cannot help but wonder what they are for.

4   Concluding Comments

It makes sense that powerful anti-democratic elites pose serious threats to newly established democracies. They do not however operate in a vacuum. Though anti-democratic elites may have the *interest* in overthrowing democracy, their *ability* to do so depends on the attitudes of the citizenry towards democracy, even if only their lack of active opposition to reversion. The structural changes and dislocations that accompany many transitions to democracy mean that governments often face the task of persuading the public that democracy works. To begin to understand how democratic fragility influences economic

policy in new democracies, we think its crucial to consider how the behavior of elites interacts with the support for democracy (or lack of it) by the masses, as well as how economic outcomes during the transition affect public support for democracy. Clientelism as usually defined is part of the story, but only part.

FOOTNOTES

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[1] In fact, favors to neutralize elites may themselves induce the masses to equate democracy with corruption and social injustice, leading to the reduced support for democracy. As Bruce Parrot (1997, p. 26) puts it, "Under these conditions, threats to democracy may come not so much from political and economic elites as from newly enfranchised citizens embittered by the emergence of a plutocracy."

[2] In Brender and Drazen (2008), for example, we find that economic growth has a strong and statistically significant effect on an incumbents probability of re-election in new democracies, but not, in general, in established democracies.

[3] These distributions will evolve over time due to repeated sampling of y_t, but we do not study that here.

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