

# Self-enforcing Democracy

Adam Przeworski  
Department of Politics  
New York University

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## 1 Introduction

Democracy endures only if it self-enforcing. It is not a contract because there are no third parties to enforce it. To survive, democracy must be an equilibrium at least for those political forces which can overthrow it: given that others respect democracy, each must prefer it over the feasible alternatives.

Without getting mired in definitional discussions, here is how democracy works: (for a fuller account, see Przeworski 1991, Chapter 1):

(1) Interests or values are in conflict. If they were not, if interests were harmonious or values were unanimously shared, anyone's decisions would be accepted by all, so that anyone could be a benevolent dictator.

(2) The authorization to rule is derived from elections.

(3) Elections designate "winners" and "losers." This designation is an instruction to the participants as to what they should and should not do. Democracy is an equilibrium when winners and losers obey the instructions inherent in their designations.

(4) Democracy functions under a system of rules. Some rules, notably those that map the results of elections on the designations of winners and losers, say the majority rule, are "constitutive" in these sense of Searle (1995), that is, they enable behaviors that would not be possible without them. But most rules emerge in equilibrium: they are but descriptions of equilibrium strategies. Most importantly, I argue below, under democracy governments are moderate not because they are constrained by exogenous, constitutional, rules but because they must anticipate sanctions were their actions more extreme.

My purpose is to examine conditions under which such a system

would last. I begin by summarizing early nineteenth century views according to which democracy could not last because it was a mortal threat to property. Then I summarize two models motivated by the possibility that if the degree of income redistribution is insufficient for the poor or excessive for the wealthy, they may turn against democracy. These models imply that democracy survives in countries with high per capita incomes, which is consistent with the observed facts. Finally, I discuss interpretations and extensions, raising some issues that remain open.

## 2 Democracy and Distribution

During the first half of the nineteenth century almost no one thought that democracy could last.<sup>1</sup> Conservatives agreed with socialists that democracy, specifically universal suffrage, must threaten property. Already James Madison (Federalist #10) observed that "democracies have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security or the rights of property." The Scottish philosopher James Mackintosh predicted in 1818 that if the "laborious classes" gain franchise, "a permanent animosity between opinion and property must be the consequence" (Cited in Collini, Winch and Barrow, 1983: 98). Thomas Macaulay in his speech on the Chartists in 1842 (1900: 263) pictured universal suffrage as "the end of property and thus of all civilization." Eight years later, Karl Marx expressed the same conviction that private property and universal suffrage are incompatible (1952: 62). According to his analysis, democracy inevitably "unchains the class struggle": The poor use democracy to expropriate the riches; the rich are threatened and subvert democracy, by "abdicating" political power to the permanently organized armed forces. The combination of democracy and capitalism is thus an inherently unstable form of organization of society, "only the political form of revolution of bourgeois society and not its conservative form of life" (1934: 18), "only a spasmodic, exceptional state of things...impossible as the normal form of society" (1971: 198).

Modern intuitions point the same way. Take the median-voter model (Meltzer and Richards 1981): Each individual is characterized by an endowment of labor or capital and all individuals can be ranked from the poorest to the richest. Individuals vote on the rate of tax to be imposed on incomes generated by supplying these endowments to production.

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<sup>1</sup>The only exception I could find was James Mill, who challenged the opponents "to produce an instance, so much as one instance, from the first page of history to the last, of the people of any country showing hostility to the general laws of property, or manifesting a desire for its subversion." (cited in Collini, Winch and Barrow, 1983: 104)

The revenues generated by this tax are either equally distributed to all individuals or spent to provide equally valued public goods, so that the tax rate uniquely determines the extent of redistribution.<sup>2</sup> Once the tax rate is decided, individuals maximize utility by deciding in a decentralized way how much of their endowments to supply. The median voter theorem asserts that there exists a unique majority rule equilibrium, this equilibrium is the choice of the voter with the median preference, and the voter with the median preference is the one with median income. And when the distribution of incomes is right-skewed, that is, if the median income is lower than the mean, as it is in all countries for which data exist, majority rule equilibrium is associated with a high degree of equality of post-fisc (tax and transfer) incomes, tempered only by the deadweight losses of redistribution.<sup>3</sup>

Moreover, these intuitions are widely shared by mass publics, at least in the new democracies. The first connotation of "democracy" among most survey respondents in Latin America and Eastern Europe is "social and economic equality": in Chile, 59 percent of respondents expected that democracy would attenuate social inequalities (Alaminos 1991), while in Eastern Europe the proportion associating democracy with social equality ranged from 61 percent in Czechoslovakia to 88 percent in Bulgaria (Bruszt and Simon 1991). People do expect that democracy would breed social and economic equality.

Yet democracy did survive in many countries for extended periods of time. In some it continues to survive since the nineteenth century. And while income distribution became somewhat more equal in some democratic countries, redistribution was quite limited.<sup>4</sup>

## 2.1 Some Facts

The probability that a democracy survives rises steeply in per capita income. Between 1950 and 1999, the probability that a democracy would die during any year in countries with per capita income under \$1,000 (1985 PPP dollars) was 0.0845, so that one in twelve died. In countries

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<sup>2</sup>I will refer to redistribution schemes in which tax rates do not depend on income and transfers are uniform as linear redistribution schemes.

<sup>3</sup>This is not true in models that assume that the political weight of the rich increases in income inequality. See Benabou (1997, 2001).

<sup>4</sup>These assertion may appear contradictory. Yet it seems that the main reason for equalization was that wars and major economic crises destroyed large fortunes and they could not be accumulated again because of progressive income tax. For long-term dynamics of income distribution, see Piketty (2003) on France, Piketty and Saez (2003) on the United States, Saez and Veall (2003) on Canada, Banerjee and Piketty (2003) on India, Dell (2003) on Germany, and Atkinson (2002) on the United Kingdom.

with incomes between \$1,001 and \$3,000, this probability was 0.0362, for one in twenty-eight. Between \$3,001 and \$6,055, this probability was 0.0163, one in sixty-one. And no democracy ever fell in a country with per capita income higher than that of Argentina in 1975, \$6,055. This is a startling fact, given that throughout history about seventy democracies collapsed in poorer countries, while thirty-seven democracies spent over 1000 years in more developed countries and not one died. These patterns are portrayed in Figure 1, which shows a loess smooth of transitions to dictatorship as a function of per capita income (the vertical bars are local 95% confidence intervals).

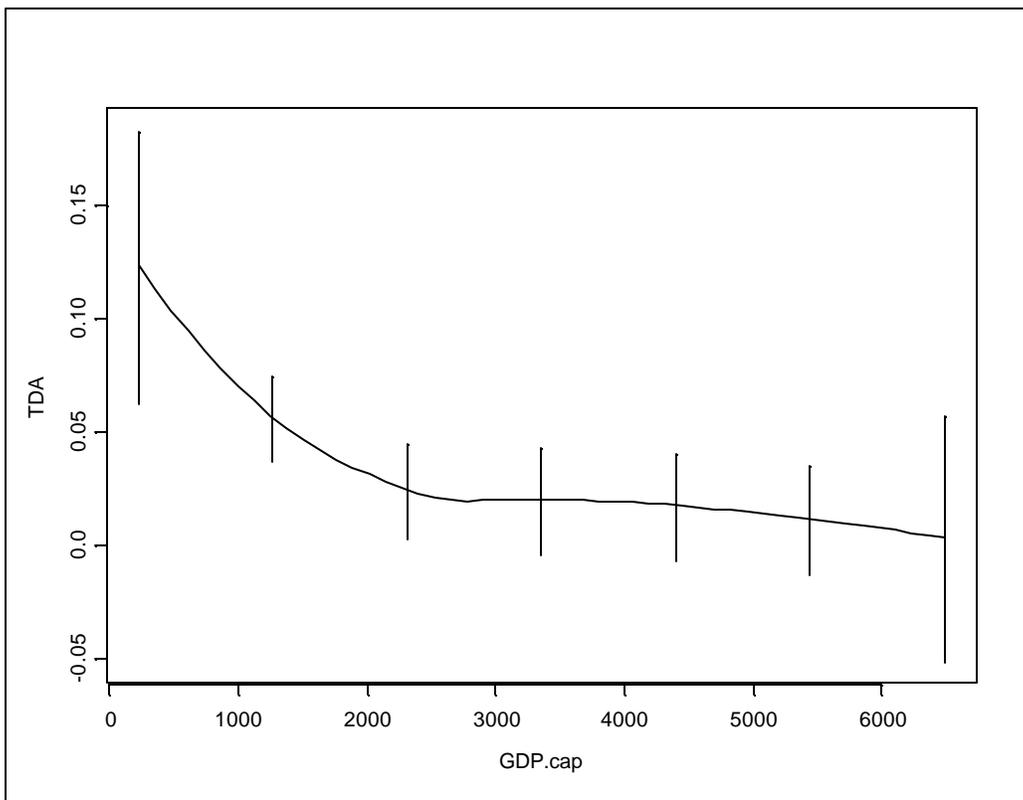


Figure 1: Transitions to dictatorship by per capita income

Income is not a proxy for something else. Benhabib and Przeworski (2006) run a series of regressions in which the survival of democracy was conditioned on per capita income and several variables that are adduced in the literature as rival hypotheses: education (Lipset 1960: 38-40), complexity of social structure (Cosser 1956), ethno-linguistic divisions (Mill 1991: 230), and political participation (Lamounier 1979).

We found that while education, complexity, and ethno-linguistic divisions did matter in the presence of income, none replaces the crucial role of income in determining the stability of democracy.

### 3 Models and Results

Why would income matter for the stability of democracy, independently of everything else?<sup>5</sup> Here is the answer given by Benhabib and Przeworski (2006) and in a different version by Przeworski (2005)<sup>6</sup>.

First the assumptions. Individuals are heterogeneous in their initial wealth; hence, in income. Decisions to save are endogenous, which means that they depend on future redistributions. At each time, decisions about redistribution are made in elections: two parties, one representing the rich and one the poor, propose redistributions of income, voting occurs, and the median voter is decisive.<sup>7</sup> Given the victorious platform, both parties decide whether to abide by the result of the election or attempt to establish their dictatorship. The chances of winning a conflict over dictatorship are taken as exogenous: they depend on the relations of military force. Under a dictatorship, each party would choose its best redistribution scheme free of the electoral constraint: for the rich this scheme is to redistribute nothing; for the poor to equalize productive assets as quickly as possible. The result of the election is accepted by everyone – the equilibrium is democracy – if the result of the election leaves both the poor and the wealthy at least as well off as they expect to be were they to seek to establish their respective dictatorships.

The results are driven by an assumption about preferences, which is twofold. The first part is standard, namely, that the utility function is concave in income, which means that marginal increases of income mat-

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<sup>5</sup>The same is not true about dictatorships. Przeworski and Limongi (1997), Przeworski et al. (2000), Acemoglu et al. (2004), as well as Gleditsch and Choung (2004), agree that survival of dictatorships is independent of income, although Boix and Stokes (2003) claim that its probability declines in income. If democracies are more frequent in wealthier countries, it is only because they survive in such countries whenever a dictatorship falls for whatever reasons.

<sup>6</sup>The two models differ in that the former is fully dynamic, while the latter is static, that is, income and the rates of redistribution are taken as constant. The latter model, however, allows an extension to electoral equilibria in which parties do not converge to the same platform, which is necessary to derive some results discussed below.

<sup>7</sup>Benhabib and Przeworski (2006) show that even though each party offers a plan for the infinite future, so that party competition occurs in infinite number of dimensions, no majority coalition of poor and wealthy can leave both better off than the decision of the median voter. Moreover, given a linear redistribution scheme, the identity of the median voter does not change over time. Hence, the same median voter is decisive at each time with regard to the entire path of future redistribution.

ter less when income is high. The second part, necessary for the story to hold, is that the cost of dictatorship is the loss of freedom. We follow the argument of Sen (1991) that people suffer disutility when they are not free to live the lives of their choosing even if they achieve what they would have chosen.<sup>8</sup> Specifically, even if we allow that the losers in the conflict over dictatorship may suffer more, we also allow that everyone may dislike dictatorship to some extent (see below). Importantly, this preference against dictatorship (or for democracy) is independent of income: as Dasgupta (1993: 47) put it, the view that the poor do not care about freedoms associated with democracy "is a piece of insolence that only those who don't suffer from their lack seem to entertain" (see also Sen 1994).

These assumptions imply that when a country is poor either the electoral winner or loser may opt for dictatorship, while when a country is wealthy, the winner pushes the loser to indifference, but not farther. Since the marginal utility of income declines in income, while the dislike of dictatorship (or the value of democracy) is independent of income, at a sufficiently high income the additional gain that would accrue from being able to dictate redistribution becomes too small to overcome the loss of freedom. As Lipset (1960: 51) put it, "If there is enough wealth in the country so that it does make too much difference whether some redistribution takes place, it is easier to accept the idea that it does not matter greatly which side is in power. But if loss of office means serious losses for major groups, they will seek to retain office by any means available."<sup>9</sup>

Figure 2 portrays this pattern:

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<sup>8</sup>On the value of choice and its relation to democracy, see Przeworski (2003).

<sup>9</sup>For a general game-theoretic approach to the dependence of social conflict and cooperation on wealth, based on the non-homotheticity of preferences, see Benhabib and Rustichini (1996).

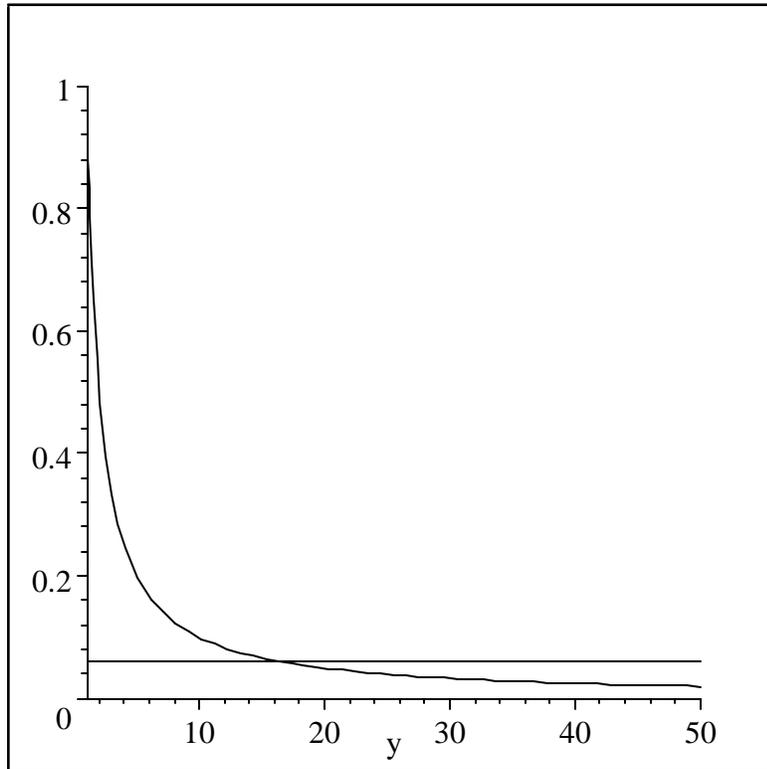


Figure 2: Marginal utility of income and the value of freedom.

In Figure 3 the solid line represents the value of democracy, the dotted line is the value of income accruing to the dictator, while the dashed line is the value of dictatorship to the dictator, that is, the value that combines higher income and the dislike of dictatorship, all these values as functions of per capita income. As we see, the values of the two regimes cross at some income level: democracy becomes more valuable. And although their crossing points are different, the same is true for the rich and the poor.

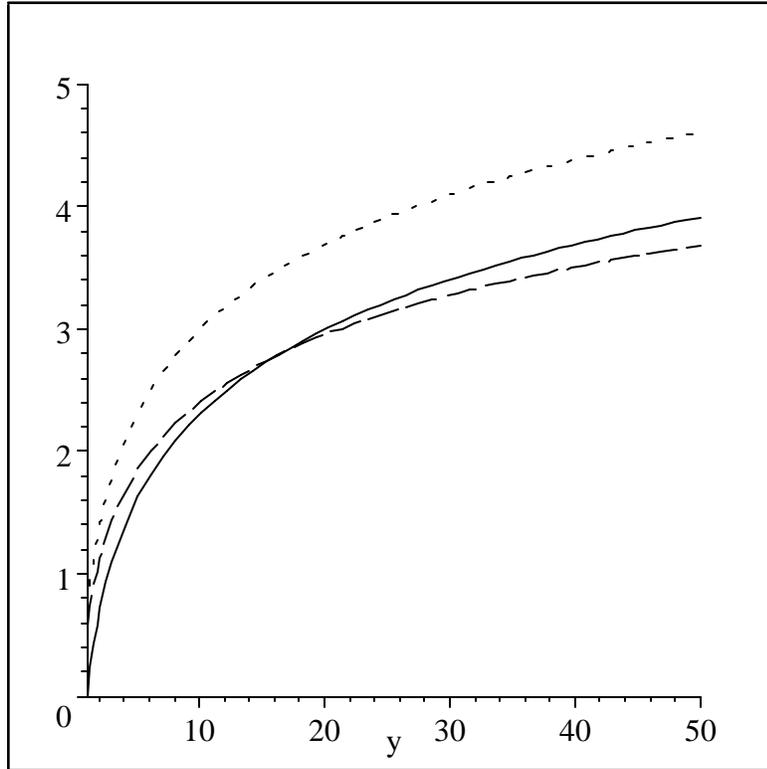


Figure 3: Values of Dictatorship and Democracy

Hence, democracies survive in wealthy countries. When the country is sufficiently wealthy, the potential increase in income that would result from establishing their dictatorship is not worth the sacrifice of freedom. Some redistribution occurs but its extent is acceptable both for the poor and the rich.

Both models conclude that conditional on the initial income distribution and the capacity of the poor and the wealthy to overthrow democracy, each country has a threshold of income (or capital stock) above which democracy survives. This threshold is lower when the distribution of initial endowments is more equal and when the revolutionary prowess of these groups is lower. In the extreme, if income distribution is sufficiently egalitarian or if military forces are balanced, democracy survives even in poor countries. Yet in poor unequal countries there exist no redistribution schemes that would be accepted both by the poor and the wealthy. Hence, democracy cannot survive. As endowments increase, redistribution schemes that satisfy both the poor and the wealthy emerge. Moreover, as income grows, the wealthy tolerate more and the poor less redistribution, so that the set of feasible redistributions becomes larger. Since the median voter prefers one such scheme to the dictatorship of

either group, the outcome of electoral competition is obeyed by everyone and democracy survives.

## 4 Interpretations

### 4.1 Development and Democracy

Democracy always survives when a society is sufficiently wealthy. Each society, characterized by income distribution and the relations of military power, has an income threshold above which democracy survives.

This result sheds light on the role of economic crises in threatening democracy. What matters is not the rate of growth per se but the impact of economic crises on per capita income. Each country has some threshold of income above which democracy survives. Economic crises matter if they result in income declining from above to below this threshold but not when they occur at income levels below or well above this threshold. In Trinidad&Tobago, per capita income fell by 34 percent between 1981 and 1990 but the 1990 income was still \$7,769 and democracy survived. In New Zealand, income fell by 9.7 percent between 1974 and 1978, but the 1978 income was \$10,035. Yet in Venezuela, which enjoyed democracy during forty-one years, per capita income declined by 25 percent from 1978 to 1999, when it reached \$6,172. Hence, this decline may be responsible for the emergence of anti-democratic forces in that country.

In countries with intermediate income levels, it is possible that one party obeys only if it wins while the other party obeys unconditionally.<sup>10</sup> Results of elections are then obeyed only when they turn out in a particular way. One should thus expect that there are countries in which the same party repeatedly wins elections and both the winners and the losers obey the electoral decisions, but in which the winners would not accept the verdict of the polls had it turned differently.<sup>11</sup>

Democracy can survive in poor countries but only under special conditions, namely, when the distribution of income is very egalitarian or when neither the rich nor the poor have the capacity to overthrow it. Hence, democracies should be rare in poor countries. When one side has an overwhelming military power, it turns against democracy. But even when military power is more balanced, democracy survives in poor countries only if the expected redistribution reflects the balance of military force. If democracy is to survive in poor countries, political power

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<sup>10</sup>This result is based on an electoral model in which, for any reason, parties do not converge to the same platform, so that it matters which party wins. See Przeworski (2005).

<sup>11</sup>This is the "Botswana" case of Przeworski et al (2000).

must correspond to the military strength. Note that this was the ancient justification of majority rule. According to Bryce (1921:25-26; italics supplied), Herodotus used the concept of democracy “in its old and strict sense, as denoting a government in which the will of the majority of qualified citizens rules, ... *so that physical force of the citizens coincides (broadly speaking) with their voting power.*” Condorcet (1986: 11) as well, while interpreting voting in modern times as a reading of reason, observed that in the ancient, brutal times, “authority had to be placed where the force was.”

## 4.2 Income Distribution and Income Redistribution

Democracy survives only if redistribution of income remains within bounds that make it sufficient for the poor and not excessive for the rich. In poor unequal countries there is no redistribution scheme that satisfies simultaneously these two constraints. These bounds open up as per capita income increases, so that in sufficiently wealthy countries democracy survives when redistribution is quite extensive and when it is quite limited. In poor countries in which democracy endures, the tax rate tracks the constraint of rebellion by either the poor or the wealthy, while in wealthy ones it is constrained only by electoral considerations.

Note that several poor democracies that have a highly unequal income distribution redistribute almost nothing. While systematic data seem impossible to obtain, poor democracies appear to redistribute much less than wealthy ones: the average percentage of taxes in GDP is 9.3 in democracies with per capita income below \$1,000, 15.3 in democracies with income between \$1,000 and \$3,000, 19.8 between \$3,000 and \$6,000, and 28.0 above \$6,000. The explanation must be that the threat of rebellion by the rich is tight in poor countries.<sup>12</sup>

## 4.3 Electoral Chances and the Design of Institutions

Przeworski (1991) argued that democracy is sustained when the losers in a particular round of the electoral competition have sufficient chances to win in the future to make it attractive for them to wait rather than to rebel against the current electoral defeat.<sup>13</sup> The argument was that

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<sup>12</sup>A rival hypothesis is that poor societies are less unequal, so that there is less room for redistribution. Yet, with all the caveats about data quality, Przeworski et al. (2000: Table 2.15) show that the average Gini coefficients are almost identical in societies with per capita income less than \$1,000 and with income above \$6,000.

<sup>13</sup>This argument and the subsequent discussion assume again that parties do not converge to the same platforms in the electoral equilibrium, so that results of elections

when the value of electoral victory is greater than the expected value of dictatorship which, in turn, is greater than the value of electoral defeat, then political actors will accept a temporary electoral defeat if they have reasonable prospects to win in the future. In light of the model presented here, such prospects are neither sufficient nor necessary for democracy to survive. In poor countries, they may be insufficient, since even those groups that have a good chance to win may want to monopolize power and use it without having to face electoral constraints. Above some sufficiently high income level, in turn, losers accept an electoral defeat even when they have no chance to win in the future, simply because even permanent losers have too much at stake to risk turning against democracy. Political forces are "deradicalized" because they are "bourgeoisified."

Hence, the model implies that while democracy survives in wealthy countries under a wide variety of electoral institutions, poorer countries must get their institutions right. Specifically, institutional choice matters for those countries in which democracy can survive under some but not under all distributions of electoral chances.

#### 4.4 Constitutions

By "constitutions," I mean only those rules that are difficult to change, because they are protected by super-majorities or by some other devices. Note that in some countries, such as contemporary Hungary, constitutional rules can be changed by a simple majority, while in other countries, such as Germany, some clauses of the constitution cannot be changed at all.

Constitutions are neither sufficient nor necessary for democracy to survive. Constitutions are not sufficient because agreeing to rules does not imply that results of their application will be respected. We have seen that under some conditions, parties obey electoral verdicts only as long as they turn out in a particular way. Hence, the contractarian theorem – "if parties agree to some rules, they will obey them" or "if they do not intend to obey them, parties will not agree to the rules" (Buchanan and Tullock 1962, Calvert 1994)<sup>14</sup> - is false. If one party knows that it will be better off complying with the democratic verdict if it wins but not when it loses while the other party prefers democracy uncondition-

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matter.

<sup>14</sup>According to Calvert (1994: 33), "Should players explicitly agree on a particular equilibrium of the underlying game as an institution, and then in some sense end their communication about institutional design, they will have the proper incentives to adhere to the agreement since it is an equilibrium.... Any agreement reached is then automatically enforced (since it is self-enforcing), as required for a bargaining problem."

ally, parties will agree to some rules knowing full well that they may be broken. Under such conditions, a democracy will be established but it will not be self-enforcing.

To see that constitutions are not necessary, note that above some income threshold democracy survives even though the rules of redistribution are chosen by each incumbent. Hence, democratic government is moderate not because of some exogenous rules but for endogenous reasons: either because of the rebellion or the electoral constraint, whichever bites first. In equilibrium a democratic government obeys some rules that limit redistribution, but the rules that are self-enforcing are those that satisfy either constraint.

The same is true of other rules over which incumbents may exercise discretion, say electoral laws. The incumbent may be better off changing the electoral system in its favor. But if such a change would cause the opposition to rebel and if the incumbent prefers status quo democracy to a struggle over dictatorship, then the incumbent will desist from tampering with the electoral system.

Hence, the rules that regulate the functioning of a democratic system need not be immutable or even hard to change. When a society is sufficiently wealthy, the incumbents in their own interest moderate their distributional zeal and tolerate fair electoral chances. Democratic governments are moderate because they face a threat of rebellion. Democratic rules must be thought of as endogenous (Calvert 1994, 1995).

Theories which see institutions as endogenous face a generic puzzle: if rules are nothing but descriptions of equilibrium strategies, why enshrine them in written documents? In some cities there are laws prohibiting pedestrians to cross at a red light, while other cities leave it to the discretion of the individuals. Endogenous theories of institutions imply that people motivated by their personal security would behave the same way regardless whether or not such laws are written. After all, the United Kingdom does not have a written constitution and yet the British political system appears to be no less rule-bound than, say, the United States. An answer to this puzzle offered by Hardin (2003) is that constitutions coordinate, that is they pick one equilibrium from among several possible. To continue with the example, rules must indicate whether pedestrians should stop at red or green light: both rules are self-enforcing but each facilitates different coordination. Weingast (1997) is correct in claiming that the constitution is a useful device to coordinate actions of electoral losers when the government engages in excessive redistribution or excessive manipulation of future electoral chances.

Thus, laws do play a role in constituting democratic equilibria. Calvert (1994) goes too far when he claims that institutions are just descriptions of equilibria in pre-existing situations.<sup>15</sup> For democracies to exist, political parties must know at least how to interpret the results of voting; that is, they must be able to read any share of votes (or seats) as a "victory" or "defeat." This rule plays a twofold role: (1) A democratic equilibrium may exist under this rule but need not under other rules. For example, an equilibrium may exist when the rule is that a party is the winner if it receives a majority of votes but not if the rule were that it obtains one-third. (2) Given one rule, a different party may be "the winner" than given some other rule under which a democratic equilibrium also exists. Hence, the particular rule both enables a democratic equilibrium and picks one among several equilibria possible. Conversely, even if the rules are endogenous, it is always a particular law that political forces obey. As Kornhauser (1999: 21) puts it, "The legal structure identifies which of many equilibria the players will in fact adopt. The enactment of a law results in the institution of a new equilibrium."

## 5 Open Issues

### 5.1 Democracy in Ethnically Divided Societies

Consider countries in which some positive probability of winning future elections is necessary and sufficient to induce the current losers to wait for their turn. One would think that this possibility is closed in societies in which a single ethnic group constitutes a majority of the population. If all members of this group always vote together, as Rabushka and Shepsle (1972) or Horowitz (1985) would expect, minorities have a zero probability of winning, now and in the future. Hence, if they can mobilize any military power, they rebel.<sup>16</sup>

Yet even when we consider as democracies only those countries in which there was an alternation in office, democracies appear to be more, rather than less, stable in societies in which one ethnic group constitutes a majority. While cross-national measures of ethnicity are notoriously controversial (Alesina et al. 2003, Easterly and Levine 1999, Fearon

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<sup>15</sup>In Calvert's story, the institution that induces the cooperative equilibrium is the "director." This equilibrium would not have occurred in the original situation he describes without the institution of the "director." Hence, it is not an equilibrium of the underlying situation.

<sup>16</sup>One should not conclude that minorities would necessarily rebel in such situations: a unified majority ethnic group may be sufficiently powerful militarily to intimidate its opponents. Hence, one possibility is that elections continue to occur, the same party always wins, and the losers obey the results: this has been true of Botswana, discussed above.

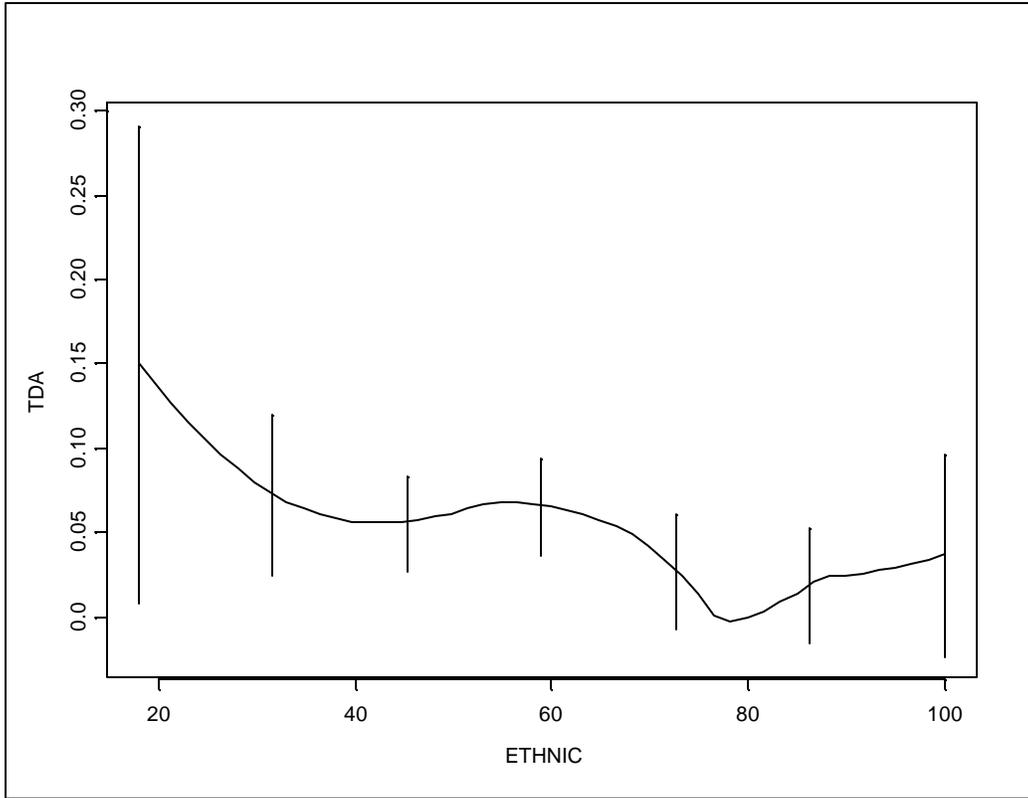


Figure 1:

2003), here is a loess plot of the probability of democracy dying (TDA) in countries with per capita income lower than \$6,055 as a function of the relative size of the largest ethnic group (ETHNIC), as given by a widely used Soviet source, *Atlas Narodov Mira* (1964).

Contrary to prevailing theories, the probability democracy would die falls as the relative size of the largest ethnic group increases. Why would it be so? One possibility is that widely used unidimensional measures of ethnicity are simply misleading. Following Chandra and Humphreys (2002), assume that ethnic identities are two-dimensional. Since to make my point I need to generate just a single example, suppose that the distribution of "primordial" groups is as follows<sup>17</sup>:

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<sup>17</sup>"Primordialism" is out of fashion and these days everyone is a "constructivist." But most "constructivists" are just "primordialists" one step removed: they invariably assume that identities are made out of something taken as primitives, the "identity repertoire" (Laitin 1998).

	1	2	<i>Total</i>
<i>A</i>	25	35	60
<i>B</i>	30	10	40
<i>Total</i>	55	45	100

Now suppose, in the spirit of the citizen-candidate model (Osborne and Silivinsky 1996, Besley and Coate 1998), that anyone can present him or herself as a candidate at some cost and that voters maximize expected utility. The winner distributes some spoils, say government jobs, and the total number of jobs to be distributed is a concave function of the share of the votes won. Under these assumptions, there is a unique electoral equilibrium, in which Party 1 forms and wins with 55 percent of the vote. (By concavity, each member of the group *A1* is more likely to get a job as a member of a smaller winning coalition, so that *A1*'s prefer to vote 1 than *A*.) The point is that the size of "the largest ethnic group" is uninformative with regard to the probabilities of winning: whether to consider *A*, 1, or *A2* as the largest group is in the eye of the coder. By extension, the same is true of the measures of fractionalization or polarization. Hence, one should not trust data on ethnicity.<sup>18</sup>

The second point is more "constructivist." The claim that ethnic divisions make democracy unstable is based on the assumption that members of ethnic groups, however identified, vote together. If this claim is true, then the proportion of the total vote accruing to the largest party should increase at the same rate as the proportion of the largest ethnic group in the society: the slope of the regression line should be *one*. It turns out that this slope is about *zero*<sup>19</sup>. Even if the measure of the largest ethnic group is grossly unreliable, it is clear that the larger the relative size of this group, the fewer of its members vote for the same party. Downs (1957) triumphs: it seems that whatever the ethnic composition of the society, politicians will succeed in generating electoral competition, if need be by dividing ethnic groups. The median size of the largest ethnic group is 90 per cent (the mean is 80.6) while the median share of the largest party is 42.45 percent (the mean is 41.45). Seen differently, one-half of ethnic pluralities is above 90 percent but only one-

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<sup>18</sup>Alesina's et al. (2003) discussion of endogeneity of ethnic divisions misses the point: the issue is not whether ethnic identities change over time but whether such identities can be politically activated in different ways. Fearon (2003) delves deeper into multilayered structures of ethnicity, but he still does not admit multidimensional traits.

<sup>19</sup>Data for the vote share of the largest party are from IDEA. Linear regression generates  $\beta = 0.0306$ , with *s.e.* = 0.0234. Non-parametric smoothing shows no departures from linearity.

fourth of plurality vote shares is above 49 percent. Hence, while some people vote along ethnic lines, ethnicity does not predict who wins.<sup>20</sup>

Since this is not my area of expertise, I will not go further. All I can conclude is that the relation between ethnic divisions and the viability of democracy remains obscure.

## 5.2 Culture and Democracy

In a democratic equilibrium, the protagonists obey the verdicts of the polls and limit their actions to those enabled by law. They participate in a competition that is regulated by rules and they obey the results; they are law abiding; they act so as to perpetuate democracy. Moreover, neither the winners nor the losers engage each time in the calculations imputed to them in the model. Democracy, in a well-worn phrase, is "the only game in town." All this is just a description of the equilibrium, "equilibrium culture."

There is nothing wrong with such descriptions, but only as long as they are not infused with causal interpretations: it is one thing to describe the equilibrium actions and beliefs as a "culture" and another to claim that this culture is what generates the equilibrium.<sup>21</sup> Yet it is just a small step to transform these observable actions into motivations, to say that democracy lasts because individuals are motivated by a sense of duty to accept outcomes of competition in which they participate, because they respect the normativity of the law, because they cherish democracy, because their behavior is driven by habit. If a democratic equilibrium is sustained by a strategic pursuit of self-interest, then in equilibrium the political actors are law abiding. But this does not mean that the equilibrium is supported by the motivation to obey the law. In equilibrium people learn to behave out of habit, just as we learn to stop at a crossroad on seeing a red light. Only if something happens that disturbs the habit – the Algerian war in France, the Aldo Moro affair in Italy – political forces may actually calculate. Hence, in developed countries, democracy is taken for granted. But this does not imply that it is not based on a calculation.

Situations induced by interests and those generated by culture look the same. Hence, observing equilibria is not sufficient to identify the mechanism which generates them. But any plausible cultural story would have to account for the relation between the stability of democracy and income.

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<sup>20</sup>For a study seeking to explain why members of particular ethnic groups vote for the ethnic parties see Chandra (2004).

<sup>21</sup>This ambiguity is most apparent in Weingast's (1997) attempt to reconcile different explanations of democratic stability.

To understand how culture might enter into the construction of the equilibria analyzed here, we need to return to the utility function underlying the model. The explanation of why democracy survives in wealthy societies offered by Benhabib and Przeworski (2006) is that decreasing marginal returns to income are overwhelmed by a dislike of dictatorship when income is high. It turns out that, while some assumption about dislike of dictatorship is necessary to generate such result, the same result can be obtained by assumptions that carry different interpretations. Let  $\mu^s$  be the loss of utility experienced by the dictator and  $\mu^u$  the loss experienced by people dominated under dictatorship. Compare the following assumptions:

- (1)  $\mu^s = \mu^u = \mu > 0$
- (2)  $\mu^u > \mu^s = 0$
- (3)  $\mu^u > \mu^s > 0$ .

The first assumption says that everyone is characterized by the same preference against dictatorship (or, again, for democracy), regardless whether they would end up dictating or being dictated to. We could then think of  $\mu$  as a parameter characterizing a particular culture, the value it attaches to democracy. The income threshold above which democracy survives would be then a function of this parameter, as well as of income distribution and the military prowess of the different groups.

Yet cultural interpretations fare poorly when they are implemented empirically. Following the seminal study of Almond and Verba (1965), asking people questions their preferences for systems of government became a routine activity all around the world. Answers to such questions are interpreted as harbingers of democratic stability and are often read nervously: Brazil, for example, seemed to verge on the brink in 1991 since only 39 percent of the respondents thought that democracy is always the best system of government, as contrasted with, say, Chile, where in 1990 76 percent did. Almond and Verba, Inglehart (1990), and Granato, Inglehart, and Leblang (1996) attempted to show that answers to such questions can predict whether democracy survives or falls. But while surveys of "democratic attitudes" are conducted repeatedly in old and new democracies and while pages of academic journals are filled with percentages of Americans, Spaniards, Chileans, Poles, or Kazakhs saying that they like or do not like democracy (for a taste, see *Journal of Democracy*, vol. 12, 2001), there is not a shred of evidence that these answers have anything to do with the actual survival of democracy.

The second assumption says only that no one likes to be oppressed by a dictatorship. This is the way this preference is formulated in Przeworski (2005), where it is motivated by the fear of physical insecurity. Hence, this is not an assumption about culture: it says that political

actors fear losing a conflict over dictatorship because they are afraid to be imprisoned or killed. Under this assumption democracy prevails in wealthy countries because the eventual gain of income is not worth risking physical security.

Finally, the third is introduced just for completeness, since it is a combination of the former two.

To conclude, if we take the first assumption, culture may enter into an explanation in a subtle way, but thus far there is no empirical evidence that it does<sup>22</sup>.

## 6 References

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<sup>22</sup>For an analysis of cultural interpretations of democratic stability, see Przeworski, Cheibub, and Limongi (1998).

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