Chapter 5
Prosperity

Does democratic governance expand wealth and prosperity? This question has long been at the heart of intense debates in the social sciences and among policymakers. In recent decades, international organizations have devoted growing resources to strengthening regimes; hence the World Bank now emphasizes that countries with so-called ‘good’ governance are more likely to attract investment in human and physical capital, and thus generate the conditions thought favorable to long-term prosperity.1 The Bank’s programs have worked with country partners to strengthen mechanisms designed to strengthen the transparency of decision-making and the accountability of public officials, including control of corruption, legal mechanisms securing property and contractual rights, the independent media and civil society organizations, the conditions of basic security and order, and capacity building of public sector management.2 Elsewhere this perspective has influenced development agencies, notably the United States Millennium Challenge Account, which uses the quality of governance as a condition for the allocation of additional aid.3 Similarly the assumption that democratic governance generates both growth and welfare (and thus potential achievement of the Millennium Development Goals) has strongly influenced strategic priorities within many United Nations agencies and bureaus. 4 Hence the United Nations Development Programme used to focus on providing technical assistance and capacity building for public administration reform; since 2002, however, work on democratic governance has expanded in scope and size to the point where it absorbs almost half the organization’s total budget. UNDP supports one in three parliaments in the developing world and an election every two weeks. In 2010, UNDP helped over 130 countries and devoted US$1.18 billion in resources to democratic governance, making this organization the world’s largest provider of democratic governance assistance.5

Given this investment of resources, it is vitally important to understanding the role of regime institutions in spurring economic growth, improving living standards, and alleviating poverty. For more than half a century, rival theories about the regime-growth relationship have been repeatedly tested against the empirical evidence, using a variety of cases, models and techniques. Scholars have examined evidence throughout the third wave era and by now a substantial research literature has now emerged investigating this relationship, both in regional studies as well as comparisons of global trends.6 Despite repeated and imaginative attempts, many technical challenges arise when seeking to establish conclusive proof about core theoretical claims. Partial agreement is starting to emerge about some of
the observable empirical regularities, but even here the complex reciprocal linkages between regime institutions and growth means that consensus is far from complete. For some, neo-liberal ‘good’ governance institutions such as property rights and rule of law (but not democracy) do indeed facilitate growth in per capita GDP. For others, however, growth is regarded as the key driver of the quality of democratic governance. For still others, any relationship is modified by certain conditions, whether the type of constitutional design, how long institutions have been established, a specific threshold level of development, or the type of societal structure and culture within which institutions are embedded. Empirical studies of the relationship between democracy and growth generate results which are highly sensitive to technical specifications and the comparative framework, hence findings have failed to prove robust when replicated using a different range of nations or with models employing alternative indicators and methods. Moreover claims that ‘institutions matter’ are constructed at a highly abstract level and theories identifying the intermediate mechanisms linking regimes and growth, and thus our capacity to offer policy-relevant recommendations, remain under-specified and poorly understood. Equally importantly, most studies have analyzed the impact of either democracy or governance, but the comparison of both of these twin phenomena has been neglected. For all these reasons, previous research needs to be revisited to establish more robust and precise generalizations.

The structure of this chapter proceeds as follows. The first part reviews and summarizes theories why regimes are expected to influence economic growth directly, either positively or negatively. After considering these debates, Part two discusses the technical challenges facing research on this topic and how it is proposed to overcome these. Part three presents the results of the comparative analysis for the main effects of democratic governance on economic growth during recent decades. The descriptive results illustrate the main relationship between regimes and growth. The multivariate models check whether these patterns remain significant after controlling for other factors associated with growth, including geography, economic conditions, social structural variables, cultural legacies, and global trends. The evidence supports the study’s core thesis suggesting that regimes combining both liberal democracy and bureaucratic governance in parallel are most likely to generate growth, while by contrast patronage autocracies display the worst economic performance. The underlying processes which help to explain the patterns are illustrated in more depth by comparing the paired case-studies of Haiti and the Dominican Republic, conjoined twin societies sharing one Caribbean island, with similar histories during earlier centuries and similar geographic resources, yet illustrating contrasting types of regimes and trajectories of economic development during recent years.
Theories linking regimes with economic growth

Skeptics believe that regime institutions are unable to exert significant independent effects on growth (the null hypothesis) compared with standard factors, like trade, technology, and geography, commonly emphasized in the research literature. While societal modernization is expected to strengthen processes of democratization and investment in the quality of governance institutions, in the skeptical view the reverse relationship does not hold. These views are challenged by the study’s theory, which posits that economic growth is strengthened by regimes combining liberal democratic institutions (reinforcing channels of electoral accountability) with bureaucratic governance (and thus state capacity for effective macro-economic management). The claims are compared against those of other scholars who offer a number of reasons why the institutions of either governance or those of liberal democracy are expected to influence income. As discussed earlier, there is no single perspective within these schools of thought. Several potential linkage mechanisms are suggested in the previous literature, each emphasizing a different underlying connection. After reviewing the arguments, the cross-national time-series evidence allows us to test each of these accounts, comparing the book’s theory against its rivals.

The skeptical ‘null hypothesis’

The traditional economics literature seeking to identify the ‘deep’ or ‘fundamental’ determinants of economic performance suggests that growth is affected by a multitude of complex structural conditions. Economists typically emphasize levels of investment in human and physical capital, societal infrastructure (schools, roads, communications), openness to trade (and thus export-led growth of goods and commodities), geography (climate, location, type of agriculture, risk of tropical disease, and access to neighboring markets), the diffusion of access to technological innovations, the distribution of natural resources (such as minerals, oil and gas), social structure (including the size of the labor force, levels of social inequality and ethnic divisions), and the cultural values which predominate in any society.10 Countries which invest more, develop new technologies, and have better infrastructures are usually expected to flourish more successfully.

By contrast, the precise role of regimes as part of this process, and which particular types of institutions are important, remains under dispute in the contemporary research literature. Ever since Douglas North’s seminal contribution, it has become fashionable for economists to claim that ‘institutions rule’. 11 In particular, many emphasize that growth is strongly shaped by institutions strengthening rule of law, private property rights and control of corruption. An influential study by Acemoglu, Johnson, and Robinson argues that in former European colonies, colonial settler mortality
rates serve as a proxy for the quality of contemporary political institutions. The conditions in the colonies, they reason, were vital for early institution-building, laying the foundations for modern contract law, secure property rights, and human capital, all of which provide the foundations for flourishing markets and effective states. Yet several scholars reverse their interpretation of the relationship, on the grounds that institutions such as effective and clean administration in the public sector, rule of law, and respect for property rights are probably the consequence, rather than the cause, of economic growth. As noted earlier, Glaeser et al argue that the Europeans who settled in the new World may have brought their human capital with them (the skills and capacities derived from literacy and schooling), rather than their legal institutions. Since human capital is a strong predictor of economic growth, they argue that historical settlement patterns are not valid instruments for contemporary political institutions. Similarly, Charron and Lapuente argue that any relationship runs from growth to governance; growing prosperity is thought to expand the resources available to invest in the quality of bureaucratic governance and the administration of public services, as well as encouraging public demands for these services. Therefore although ‘good governance’ has now become fashionable in the international development community, the robustness of the empirical findings claiming that institutions matter for growth continues to be debated, especially compared with many other deep drivers of economic development.

At the same time, skeptics doubt whether democracy exerts a significant independent effect upon economic prosperity; democratic regimes can be rich (Sweden) or poor (Mali). Similarly autocracies vary from the resurgent growth experienced by China and Viet Nam to the economic stagnation or decline evident in North Korea or Zimbabwe. Support for the skeptical perspective can be found in much of the empirical evidence. Thus although some research reports that the institutions of liberal democracy have a positive impact on economic growth, most studies suggest a negative relationship, or indeed no significant relationship at all. A widely cited early study by Robert Barro reported that growth was strengthened by maintenance of the rule of law, free markets, small government consumption, and high human capital. Once models control for these kinds of variables, and the initial level of real per-capita GDP was held constant, then the overall additional effect of liberal democratic regimes on growth proved weakly negative. The skeptical perspective was reinforced by one of the most comprehensive studies, by Adam Przeworski, Michael Alvarez, José Antonio Cheibub, and Fernando Limongi, which compared the experience of economic and political development in 141 countries from 1950 to 1990. Democratic and autocratic regimes were classified according to Schumpeterian rules of electoral contestation. The study concluded that according to this measure,
democracies proved no better (but also no worse) than dictatorships at generating economic growth. Among poor countries, as well, the type of regime made no difference for growth. “In countries with incomes below $3000, the two regimes have almost identical investment shares, almost identical rates of growth of capital stock and of labor force, the same production function, the same contributions of capital, labor, and factor productivity to growth, the same output per worker, the same labor shares, and the same product wages...Regimes make no difference for growth, quantitatively or qualitatively.” The most recent comprehensive review of the research literature, by Doucouliagos and Ulubasoglu, compared and summarized 84 studies published on the regime-growth relationship. Not surprisingly, their meta-analysis noted that estimates of the regime-growth relationship differed across this range of studies, due to varied data sources, techniques, control variables, country coverage, and time periods. Overall, however, the study concluded that liberal democracy exerts no direct impact on prosperity, either positively or negatively. Some indirect regime effects were observed, however, since liberal democracies invest more in human capital and have greater political stability, both of which strengthened growth. If the skeptical view is indeed correct, then the empirical evidence should demonstrate that the direct effect of the prior type of regime makes little significant difference, positive or negative, to subsequent levels of economic growth.

**The effects of governance on growth**

The skeptical view about the positive role of regimes for growth was not confined to academic studies; it also used to permeate the international development community. During the 1970s and 1980s, the first-generation ‘Washington Consensus’ advocated by the agencies of global finance, based on neo-classical theories in political economy, explained prosperity as a product of market forces; countries seeking to expand production output and export-led growth were advised to end protectionism and open borders to international trade, attract investment capital, allow competitive exchange rates, develop human capital, adapt to technological progress, deregulate the economy, and enlarge the labor force. In the neo-classical view, the state was regarded as hindering growth in the private sector if it ventured beyond strictly minimal Smithsonian functions of providing security, infrastructure, and protection of property rights. The predatory or bloated state was seen as problematic for growth, especially macroeconomic policies involving public sector ownership of industry, massive budget deficits, negative interest rates, protectionist restrictions on free trade, over-regulation, endemic corruption, and inadequate basic public services. Tax reform, privatization, trade liberalization, anti-corruption measures, and fiscal austerity were the prescribed medicine to cure these
ailments. It was believed that the state had to get out of the way, to let unfettered markets achieve growth most efficiently. In the rush to liberalize public-sector ownership and shrink the size of the state, little attention was paid to the capacity of the government, whether to regulate the privatization process and prevent the emergence of new oligopolies, to maintain security, to manage the delivery of basic public goods and services, to plan and implement policies, and to enforce laws. The first-generation Washington consensus therefore held that good economic performance required liberalized trade, macroeconomic stability, and getting prices right.

In subsequent years, however, the revised second-generation Washington consensus came to acknowledge the important positive role of the state in development and the dangers of radical structural adjustment, growing social inequality, market failures, and corruption. 22 Many factors contributed towards this revised philosophy. Latin American countries, which had embraced the menu of liberalization, often failed to achieve stable and equitable economic growth. Economists in the region started to address the institutional reforms needed to tackle social inequality and substantial improvements in living standards for the poor. 23 Experience in Eastern Europe, especially Russia, demonstrated that shock therapy and selling off public sector assets in countries lacking rule of law and control of corruption merely transferred state power to business oligarchs and reinforced crony capitalism. The fall of the Berlin Wall, and transitions from autocracy elsewhere in the world, spurred renewed interest in understanding the economic consequences of processes of democratization and constitutional arrangements, as well as providing new opportunities for reforming regimes. The 1997 Asian economic crisis in countries which had liberalized their economies created new challenges to the standard prescriptions. 24 Most recently, doubts about the wisdom of unregulated markets have been reinforced by the financial downturn catalyzed by the bursting housing bubble and banking crisis in the United States, before quickly infecting debt-ridden economies in Mediterranean Europe and beyond. 25

**Neo-liberal claims for ‘good governance’**

The second-generation Washington Consensus, emerging during the early-1990s, recognized that effective state institutions and the quality of governance can function as ‘deep drivers’ which supplement markets and thereby also contribute positively towards economic growth. 26 ‘Institutions’ are commonly understood, following North, as both formal legal regulations and informal patterned social interactions, cultural traditions, and social norms determining mechanisms of social cooperation and how authority is exercised. 27 The substantial body of empirical literature which has emerged in economics in recent decades has claimed that certain types of neo-liberal governance institutions are
critical for economic development. Research started to explore some of the empirical evidence, including a seminal paper by Mauro documenting the links between corruption and growth.\textsuperscript{26} This study stimulated a substantial body of work replicating and expanding the core findings, using many types of economic indices and measures of corruption.\textsuperscript{29} Another early study by Knack and Keefer reported that the International Country Risk Guide (ICRG) ratings of the quality of governance were directly related to growth of per capita income.\textsuperscript{30}

This work highlighted the need for cross-national and time-series indicators capable of monitoring institutional quality. From 1996 onwards, Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi at the World Bank Institute developed composite estimates for all countries worldwide covering six dimensions of so called ‘good governance’, including perceptions of rule of law, control of corruption, voice and accountability, regulatory quality, government effectiveness, and political stability, derived from expert polls and public opinion surveys conducted by multiple organizations.\textsuperscript{31} This evidence seemed to provide empirical support for the importance of good governance institutions, especially those strengthening control of corruption, property rights, and rule of law. In a series of papers, Daniel Kaufmann and colleagues have drawn upon the World Bank Institute indices as evidence to argue that ‘good governance’ generates substantial pay-offs for the economy: “A country that improves its governance from a relatively low level to an average level could almost triple the per capita income of its population in the long-term.”\textsuperscript{32} Similarly Rodrik, Subrahmanian and Trebbi also conclude that rule of law and security of property rights are both deep determinants of economic growth, controlling for the effects of geography and trade.\textsuperscript{33} These particular institutions are believed to underpin free markets, investor confidence, and contract enforcement. Neo-liberals therefore emphasize that income growth is facilitated by specific types of institutions which are thought to reduce the risks and barriers that investors face in the marketplace. If this claim is true, then growth should be strongly linked with several specific indices of ‘good’ governance, in particular the WBI estimates of Rule of Law, Property Rights, and Control of Corruption.

\textit{The effects of state capacity on growth}

Yet governance is an abstract and vague term which is open to alternative interpretations. Following the ‘institutional turn’ in economics, other leading scholars have renewed the emphasis on the role of formal rules, but governance has been interpreted from a more Keynesian or social democratic perspective. Hence the Nobel prize-winner Joseph Stiglitz advocated a more interventionist role for the state in the economy, using the strategic levers of regulatory institutions, social insurance
programs, fiscal and monetary policies, above and beyond ensuring the conditions for free markets through protecting private property rights and rule of law. Francis Fukuyama has emphasized the urgent need for state-building and well-functioning public administration, on the grounds that weak states are the source of many of the world’s problems, from poverty to AIDS, terrorism and drugs. Public sector reform was critical for effective state capacity, Fukuyama argues, even though the scope and functions of the state need to be limited. By contrast, Fukuyama did not regard democracy and human rights as deserving equal priority for the international development community, except perhaps as a way to legitimate states.

If it is recognized that governments need to play an effective role in economic development -- through regulating the market economy, implementing laws and policies, planning budgets, and managing the delivery of public goods and services -- then their ability to do so rests, in large part, upon the professional skills, procedural culture, and technical capacity of the public sector. Presenting empirical support for this view, Evans and Rauch documented the link between estimates of the quality of ‘Weberian bureaucracy’ and economic growth. The study compared almost three-dozen developing societies from 1970 to 1990, measuring perceptions of the quality of bureaucratic governance from an expert survey. After controlling for initial levels of per capita GDP and human capital, the results of their analysis showed that greater economic prosperity was common in states where the civil service in the core economic agencies had meritocratic recruitment processes and predictable career ladders.

Many case studies are also often cited to support the claim that the implementation of effective development policies requires competent public administration and a strong and effective state. This argument is believed to be exemplified by the remarkable growth and rapid industrialization enjoyed in the East Asian tiger economies of Taiwan, Singapore, China, and South Korea, leading some observers to posit a sequential process of ‘economic development first, democracy second’. The case of Singapore is commonly thought to illustrate the Asian model of development, combining both economic success and social stability, and thus the presumed advantages of bureaucratic autocracies. Singapore has become one of the most affluent nations around the world, ranked 23rd highest on the 2009 Human Development Index, just behind Germany and ahead of Greece, Israel and Portugal. The Singapore economy, built upon the service-sector, particularly finance, banking, investment, and trade, has forged ahead despite a lack of natural resources. In 2009, Singapore produced a per capita GDP of around $37,000 (in PPP), similar to Italy and Japan. An autocracy ruled by one predominant party, and with
limited political rights and freedoms, bureaucratic governance in the island state is widely regarded as both efficient and effective.  

China is an even more striking case, enjoying an average annual growth rate of 10 percent over the last three decades, a level which was maintained despite the 2008 global financial crisis which has afflicted the United States and the euro zone. In 1980, the average per capita income in China was $251 (with the nation ranked 4th last worldwide). By 2010, this figure had risen to $7,240 (ranked 89th from the bottom). China is widely regarded as challenging the standard neo-liberal conventional wisdom that free markets, state deregulation, and secure private property rights are vital for growth. The Chinese Communist Party has also developed internal mechanisms for regular leadership succession, as well as maintaining meritocratic processes for bureaucratic recruitment and career advancement. The political stability found in bureaucratic autocracies is believed to encourage the process of rapid industrialization and thus facilitate sustainable economic growth. Yet the evidence for administrative competence in East Asian states does not always tell a consistent story supporting these claims; the Republic of Korea, for example, experienced serious problems of corruption and crony capitalism for many decades during its long period of economic development, although in recent years this has greatly diminished. If the core argument is correct, however, it suggests that the quality of bureaucratic governance in any country should significantly affect subsequent levels of economic growth.

**The effects of democracy on growth**

*Accountability: Elections reward competent economic management*

Claims that democracy fails to exert an independent effect upon economic development, compared with other structural determinants, are also challenged by those emphasizing the instrumental consequences of democracy promotion. The most common argument from this perspective suggests that democracies are usually more successful at generating economic growth since competitive elections provide an automatic fail-safe mechanism for removing incompetent leaders; governing parties perceived by citizens as successful at managing the economy are usually returned to office, while ineffective administrations are kicked out. Halperin, Siegle and Weinstein suggest that in this regard democracies have a ‘self-correcting mechanism’. By contrast, no such regular and peaceful channel exists in autocracies to remove inept, repressive, or venal leaders. As Fukuyama points out, autocracies have variable economic performance; states may be ruled by a Lee Kwan Yew but they may also be run by a Mobutu or a Marcos or a Gaddafi.
The accountability argument builds upon several well-established theories in the literature, including (i) the Schumpeterian conception of democracy, emphasizing the role of elections as core mechanisms in democracy for the expression of public preferences, government accountability, and political responsiveness; (ii) Downsian theories suggesting that rational voters cast ballots seeking to maximize their utility, as well as (iii) theories of retrospective voting, emphasizing that in democratic states, citizens evaluate the economic performance of the governing party and leader, rewarding or punishing them accordingly at the ballot box. This last line of thought suggests that particular elections in each country can revolve around the government’s record on a wide range of issues on the policy agenda but overall many contests are thought to be won or lost based on public evaluations of the governing party or parties’ competence in managing bread-and-butter economic conditions. Poor government results at the ballot box have commonly been attributed to conditions of unemployment, inflation, or poor growth, in contests where “it’s the economy, stupid”. Vote-seeking politicians thus have a strong incentive to manage the economy effectively and to offer alternative policies which appeal to the majority of the electorate. Parties and leaders demonstrating a competent record are expected to be most consistently returned to steer the nation’s economy, while those with a poor performance are usually less successful in gaining power. By contrast, autocrats face no such electoral sanction; citizens have little power to get rid of ineffective leaders, short of violent means, in countries such as Zimbabwe, Somalia and Libya, despite public disaffection with declining incomes, endemic poverty, and worsening living standards. If these claims are true, when tested against the empirical evidence, levels of democratization should predict subsequent levels of economic growth.

Some limited evidence supports this claim; for example Halperin, Siegle and Weinstein compared the economic performance of poorer societies (defined as those below $2000 per capita) from 1960 to 2005 and found that democracies usually enjoyed higher per capita growth rates than autocracies. Moreover when all countries are considered, they report that democracies have realized consistently higher levels of economic growth than autocracies during the last five decades. Yet many other characteristics of democratic societies, not controlled in their models, may be driving these observations. The claim that democratic regimes are more positive for growth has also been strongly challenged. Hence drawing upon experience of development in Latin America, Guillermo O’Donnell, argued that the early stages of any democratic transition in the region were often characterized by weaker governance capacity, and thus greater instability and uncertainty, inflationary pressures on the state, and a rise in distributional conflict, heightening the risks facing international investors. By
contrast he emphasized that states with effective bureaucracies and strong executives had the capacity to respond promptly and decisively when managing the economy, especially during crisis conditions.

**Do democracies strengthen human capital with indirect effects on growth?**

Another reason why the type of regime may affect growth indirectly, scholars suggest, is through investment in the labor force. Human capital is widely regarded as important for growth; higher levels of literacy, schooling and vocational training produce a more productive workforce, a process which is thought especially important given the demands of modern technologies and the need for skills in service sector jobs.\(^\text{52}\) Several studies have now reported that liberal democracies invest more in primary and secondary education and vocational training – and they also achieve better attainment outcomes. \(^\text{53}\) According to Halperin, Siegle and Weinstein, for example, among low-income economies, democracies have typically realized secondary school enrollment levels 40% higher than autocracies.\(^\text{54}\) Moreover studies relate education with growth; based on a panel study of 100 countries from 1965 to 1995, Barro reports that growth is affected by the average years of school attainment of adult men at secondary and higher levels.\(^\text{55}\) The human capital argument focuses upon schooling attainment, literacy, and tertiary training, all thought important for a productive and skilled labor-force. If liberal democracies do invest more in human capital, and if this process has an indirect effect on prosperity, as several studies suggest, then *the type of regime combined with the gross enrollment rates of secondary-level education should expand wealth*. Nevertheless this claim also remains under debate in the literature. In particular, questions remain when determining the direction of causality in any relationship, since the classic ‘Lipset’ thesis claims that the expansion of education and literacy are some of the key features of industrial societies which facilitate democratization. Barro confirmed that access to primary schooling, and a smaller gender gap in educational attainment, both strengthened the propensity for democracy.\(^\text{56}\) Hence it is critical to try to disentangle any complex correlations linking the type of regime, levels of human capital, and income growth.

**Do power-sharing democracies promote growth?**

Several scholars emphasize that beyond the regime, the specific type of democratic institutions matters for accountability. Constitutional arrangements vary among democracies and major contrasts include those arising among majoritarian-plurality, mixed, or proportional electoral systems; presidential, mixed, or parliamentary executives; single party or coalitional party governments; and federal or unitary states. Each of these categories also contains many important variations, for example
PR electoral systems differ by their use of open or closed lists, the level of any formal vote threshold, and the type of vote formula. Similarly the constitutional powers and responsibilities of presidents and prime ministers vary substantially, especially in ‘mixed’ executives which combine both roles. Rather than the type of regime, several scholars emphasize that the particular constitutional arrangements matter for economic performance. In a series of studies, Persson and Tabellini suggest that constitutional variations such as states with presidential or parliamentary executives influence economic performance, including fiscal policies, trade policies, and levels of public spending, and thus have an indirect effect upon growth. They conclude that the type of electoral systems does not affect economic performance but parliamentary government is associated with growth-promoting policies, such as open trade and property protection rights. By contrast, Knutsen reports that proportional and semi-proportional electoral rules do produce substantially higher annual per capita growth rates compared with plural-majoritarian rules.

If types of institutional arrangements affect prosperity, however, the exact reasons behind any observed regularities still need to be established. One argument emphasizes that parliamentary executives and majoritarian elections commonly produce single-party governments, where management of the economy rests in the hands of the leader of the governing party. This process has certain advantages for establishing a clear chain of electoral accountability, where the team of cabinet ministers for the governing party is collectively responsible for economic performance, while individual representatives of the governing party are also accountable to local single-member constituencies. This arrangement facilitates public evaluations (‘the buck stops here’) and thus retrospective economic voting at the ballot box. Similarly, unitary and centralized states also strengthen the direct chain of electoral accountability. By contrast, electoral accountability is weakened in presidential and mixed executives, in proportional electoral systems which usually generate coalition governments, and in federal states. Where party control is divided among the major branches of the legislature and executive it becomes more difficult for citizens to attribute clear praise or blame for management of economic performance. The attribution of responsibility is further reduced under conditions of multi-level governance and economic globalization; problems with the American sub-prime mortgage triggered the banking crisis in 2008, so who should citizens in Greece, Ireland, and Iceland blame for their economic woes: their own leaders, or those in the United States, or indeed the actions of the major multinational financial corporations and international agencies? According to this view, power-concentrating constitutional arrangements (with plurality or majoritarian electoral systems, parliamentary executives,
and unitary states) should produce the clearest chain of responsibility and the strongest electoral incentives for governing parties to manage the economy competently and well.

At the same time, however, an alternative line of reasoning suggests that power-sharing democracies may promote greater macroeconomic policy stability. Lijphart suggests that under these arrangements, decision-making require greater compromise establishing agreement among the multiple coalition parties in government. This is predicted to generate greater stability, moderation, and continuity in medium and long-term macro-economic policy, which, in turn, is expected to expand business confidence, reduce investment risks, and improve prosperity. By contrast, majoritarian democracies with single-party governments are thought more vulnerable to abrupt policy reversals following major shifts in party fortunes. Under these arrangements, such as historically in the UK and Australia, sudden 'stop-go' reversals in macroeconomic policies are possible when the major parties on the left and right rotate in government office, such as switches in fiscal policy and public spending, trade union bargaining rights, or economic deregulation. Abrupt macro-economic policy reversals and instability are thought to be problematic for investors, creating uncertainty and thereby heightening risk.

Thus there are several plausible reasons why power-sharing institutions may matter for growth, but debate continues about the underlying mechanism and the predicted effects. Theories identify rival pathways but it is not clear whether electoral accountability or political stability is more important for income. If democratic effects on growth are conditional, then growth should be observed to vary by the type of institutional arrangements (including whether states are federal or unified, whether electoral systems are proportional or not proportional, and whether the type of executive is parliamentary or not). Nevertheless the state of knowledge about these relationships does not allow us to predict the direction of any effects with any degree of confidence. Moreover the complexity of alternative constitutional arrangements and diverse channels of electoral accountability means that coding institutions into proxy dichotomous categories loses much find-grained detail about how institutions work in practice.

The parallel thesis and democratic governance

Lastly in counter-balance to all these claims, the book's argument suggests that previous claims need to be synthesized into a unified theory where the both liberal democracy and governance capacity developed in parallel are understood as contributing towards economic growth. In particular, electoral accountability increases the pressures on governments to deliver an effective performance. Voters
demand jobs, cheaper food, or better homes. But elected officials can only respond if the state has the technical capacity and skills to manage macroeconomic policies. Politicians, by themselves, cannot pay wages, export goods, or build factories. If government leaders are thrown out of office for failing to improve the economy, but opposition parties are similarly unable to reduce levels of inflation and unemployment, then the result are likely to deepen disillusionment with the political process. Moreover if economic malaise continues over successive administrations, then disenchantment may spread so that the public comes to lack confidence in the regime, and ultimately, faith in democratic ideals and principles. On the other hand, if state officials are competent and effective as managing economic growth, expanding the country’s GDP, but government leaders are not responsive and accountable to citizens, then there is no mechanism which makes sure that wealth trickles down to benefit the living standards of the general public rather than the Swiss bank accounts and Cayman Island tax havens of economic elites. For these reasons, study’s thesis suggests that the combination of liberal democracy and governance capacity developed in parallel will prove the most effective recipe for growth, within the constraints of structural conditions.

II: Challenges in research design

The previous body of research therefore suggests several propositions which can be tested in this chapter. The empirical evidence needs to be reexamined cautiously, however, due to the series of technical challenges facing any systematic study of the regime-growth relationship. This includes issues of reciprocal causality, omitted variable bias, invalid conceptualization, measurement errors, and bias arising from missing data.

First, major difficulties arise from complex issues of reciprocal causality; regimes may facilitate growth. But economic development is also widely believed to provide conditions conducive both to processes of democratization and to strengthening investment in the quality of governance. A large body of economic and sociological research has observed that wealthy societies have usually been more democratic. The political sociologist Seymour Martin Lipset laid the groundwork for this perspective, specifying that: “The more well-to-do a nation, the greater the chances that it will sustain democracy.” Greater affluence consolidates democracy, Lipset theorized, by expanding levels of human capital (literacy, schooling), widening media access, broadening the middle classes, dampening the effects of extreme poverty, facilitating intermediary civil society organizations, such as labor unions and professional associations, and promoting the cultural values of democratic legitimacy and social tolerance. Acemoglu, Johnson and Robinson argue that in the short-term the direction of causality
runs from development to governance, rather than the reverse, controlling for country fixed-effects, although they acknowledge that in the long-term (over the last 500 years) there is a positive correlation between economic development and processes of democratization.\textsuperscript{69} To mitigate the effects of reversed causation, the measures for the independent variables are taken for the year before the annual measure of economic growth. I also include measures of levels of economic development from previous years; this makes sense if growth is understood as a sticky phenomenon which is not invented anew every year. Past growth can be expected to strengthen future growth. The measure of income also helps to capture all the accumulated factors which have expanded growth until the current observation and which are unobserved in the models.

In parsimonious but under-specified models, omitted variable bias may also prove problematic; another independent variable, not included in controls, may determine simultaneously both the type of regime and levels of economic growth. For example, developing societies meeting international standards of good governance and democracy are more likely to attract international aid as well as international private-sector investment.\textsuperscript{70} As a result, states with well-governed democracies may experience faster growth than those with autocratic regimes, but this should not be attributed directly to how different types of regimes manage their economies. Many studies of economic growth analyze the importance of institutions, trade and geography, but fail to control for social structural factors, such as levels of ethnic fractionalization or income inequality, as well as the potential role of civil wars and inter-state conflict, all of which can be expected to depress growth. Econometric studies of democracy also commonly fail to distinguish the role of power-sharing and power-concentrating democratic institutions, which can be expected to differ in their economic effects.\textsuperscript{71} Many parsimonious economic models are elegant but under-specified. To guard against this tendency, by contrast this study uses a battery of items to control for several sets of factors: constitutional arrangements, prior economic conditions, geography, social structure, cultural traditions, and global trends (see Table 5.1). Moreover, many models examine the impact of either democracy or governance, but not the combination of both phenomena.

Thirdly, other difficulties arise from poor conceptualization and measurement errors; a growing consensus has arisen today about standard indicators of liberal democracy, using the Gastil Index from Freedom House and the Polity IV democracy-autocracy scale.\textsuperscript{72} Notions of ‘good governance’ still remain vague and poorly defined, however, and the available empirical indicators may well be invalid measures of the overarching concepts.\textsuperscript{73} The World Bank Institute good governance indices are widely employed,
in both theoretical and applied policy research but they have been criticized as suffering from problems of perceptual biases, adverse selection in sampling, and conceptual conflation with economic policy choices. For example, the WBI indices include ‘regulatory quality’ based on the assumption that minimal intervention is optimal, yet this conflates specific controversial policy prescriptions with the quality of governance. Many of the indices are actually outcome measures of good governance, rather than ‘input’ or process measures; for example control of corruption is widely recognized as important for growth, but estimates arising from broad and abstract measures do not tell us anything about what government procedures, institutions or policies actually work to minimize corruption. There are potential problems arising from all perceptual measures of governance performance, especially those based on unrepresented groups of elites such as business-people, academics, and journalists, since favorable outcomes (such as conditions of economic growth) can color evaluations of the quality of governance. This can prove particularly problematic with the analysis of cross-national data, since growth rates may be spuriously correlated with perceptions of good governance. Longitudinal analysis is needed but the WBI indices only started to be estimated in 1996. Many studies have also emphasized the importance of ‘rule of law’ for development, but this abstract and vague idea contains multiple components. If ‘rule of law’ matters, it is still unclear whether policymakers heeding these lessons should seek to strengthen the independence of the courts and judiciary, develop procedures and institutions designed to control corruption, expand professional training and capacity building for lawyers, prioritize police protection of person and property, expand access to transitional justice, or engage in the demilitarization of security forces, or ‘all of the above’. The underlying institutional mechanisms, and the policy implications arising from the governance research literature, thus remain under-specified and poorly understood. To overcome problems of measurement error, this study tests the robustness of key relationships using alternative measures of liberal democracy and good governance.

Lastly, potential problems of systematic bias arise from missing data in the longitudinal and cross-national analysis of development indices. Moreover the missing data is often not randomly distributed; instead it is most common in poorer nations, in societies deeply-divided by conflict, and in patronage autocracies. In these contexts, national statistical offices often lack the resources, technical capacity, or political-independence to gather reliable internationally-standardized statistics from official statistics, regular household surveys, or census data, even for basic indices monitoring progress for the MDGs. Unfortunately other systematic biases can also arise from standard social science datasets; for example, one of the standard indicators of democracy is provided by the Polity IV series classifying
regimes since 1800, but this dataset excludes all micro-states around the world (with populations below 500,000). Polity IV covers 164 independent nation-states worldwide, with the biases already noted arising from the exclusion of micro-states. International statistics also rarely monitor data from dependent territories, such as Montenegro, Kosovo, and Timor-Leste, so that time-series data of past trends is lacking when these societies gain independent statehood. Consequently major problems can arise from the limited country coverage included in cross-national and time-series comparisons, since the independent nation-states included in the analysis are not a random sample of all countries in the world. Many of the governance indices are also relatively recent in origin, covering the period since the mid-1980s (ICRG) or since the mid-1990s (WBI), hence long-term processes are difficult to determine. To mitigate problems arising from systematic bias, this study compares the robustness of the results using alternative indices with different country coverage.

To examine the evidence, this study uses a mixed research strategy. First we can examine the descriptive statistics to observe the general patterns. Multivariate models can then analyze cross-national time-series panel data for countries worldwide, to determine the predicted impact of liberal democracy and bureaucratic governance upon changes in economic growth, incorporating a wide range of controls. Change in per capita GDP is measured in purchasing power parity, derived here from the chain series provided by the Penn World Tables. Models examine the effects of the Freedom House Gastil index of democracy, providing the most comprehensive country coverage of all independent nation-states. The quality of Bureaucratic Governance is gauged using the ICRG annual estimates which are available for a more restricted range of 134 countries since 1984. Both these indices are standardized to 100-point scales, for comparability and ease of interpreting the results. To monitor conditional effects arising from particular types of power-sharing constitutions, the models also classify whether countries are federal or unitary states, whether the electoral system used for the lower house of the national parliament is proportional representation or not, and the type of presidential or parliamentary executive. As discussed in earlier chapters, a series of comprehensive controls (see Table 5.1 and the Appendix A) are introduced for the effects on growth arising from economic factors, geographic characteristics, social structural variables, cultural traditions, and global trends. The panel models employ ordinary least squares (OLS) regression with panel corrected errors, to correct the problem of serial correlation arising from repeated observations of the same countries over time. Robustness checks replicate the models to compare the results using the alternative Polity IV scale of democracy-autocracy. The selected cases then illustrate processes underlying the econometric analysis.
III. The main effects of regimes on growth

First, does growth vary systematically by the type of regime? To look initially at the descriptive data, Figure 5.1 compares mean levels of annual economic growth during the whole period under review (from 1984 to 2007) for each type of regime, without any prior controls. The results confirm that bureaucratic democracies experienced the highest annual rates of per capita growth (2.49%), as well as the most stable growth rates (StDev = 3.92). The book’s theory predicts that bureaucratic democracies combine the most effective macro-economic management by the state, with competent and technically-skilled officials steering the economy in the main financial ministries, combined with the accountability which democratic governments face for their performance to the electorate. The initial comparison provides some preliminary support for the claim that this type of regime provides the underlying conditions most conducive for stable and sustained growth. As illustrated in Figure 5.2, trends in the mean growth rate among bureaucratic democracies is relatively steady, providing predictable conditions which are expected to encourage investor confidence, without showing the sharp fluctuations and volatility found among other types of regimes.

[Figures 5.1 and 5.2 about here]

By contrast, as also predicted by the argument, compared with all other types of regimes, patronage autocracies usually perform most poorly, displaying mean annual growth of only 1.23% during these years, half the rate of growth experienced by bureaucratic democracies. Patronage autocracies also display the sharpest peaks and troughs in their growth rate trends (StDev = 9.88); these types of regimes typically occasionally perform very well – or very badly (see Figure 5.2). Thus in the late-1980s and the early 1990s, the global recession depressed all economies. The United States saw soaring unemployment, massive government budgetary deficits, and a slowdown in GDP. But while this downturn almost wiped out growth in bureaucratic democracies, patronage autocracies dipped sharply into deeply negative territory. In particular, oil-dependent autocracies are prone to experience sharp swings in GDP following large fluctuations in the price of energy, such as the volatility evident in Equatorial Guinea, Saddam’s Iraq, and Kuwait. Several states transitioning from autocracy and emerging from conflict have also experienced a substantial short-term surge in growth under newly-elected regimes, such as Liberia in 1997 and Afghanistan in 2002. Investment in infrastructure and economic recovery, funded partially by international recovery and reconstruction assistance, generates a sudden spike, but long-term growth in these circumstances often proves unsustainable. By comparison, both patronage democracies and bureaucratic autocracies fall roughly mid-way between the other regime
categories, with mean growth rates of 1.93 and 1.81 percent respectively, as well as proving middling in their overall level of growth volatility (see Figure 5.2).

An alternative way to examine the descriptive evidence is to compare rates of growth for states which do not experience any sustained regime change during the period under comparison. This approach holds the type of regime as fixed and this helps to control for the reciprocal effects of growth on regimes. Thus we can compare cases classified as stable regimes, defined as those which fall into the same regime category in both 1984 and 2007; hence Angola, Cameroon, Libya, Syria, Togo and Zimbabwe, for example, are classified as stable patronage autocracies; Sri Lanka, while Bolivia and Senegal represent stable patronage democracies; Saudi Arabia, Brunei, Bahrain and China exemplify stable bureaucratic autocracies; and lastly stable bureaucratic democracies during this period include states such as Australia, France, Turkey, and Trinidad and Tobago.

[Figure 5.3 about here]

Figure 5.3 illustrates the contrasts in income levels and growth rate experienced among each of these types of regimes. In 1984, stable bureaucratic democracies start with the high average levels of per capita GDP ($17,342), and during these decades these states also see average incomes rise by two thirds, the largest amount of any category, to reach $29,238 per capita in 2007. In 1984 bureaucratic autocracies were initially even more affluent, with average incomes of $31,885. But far from becoming more prosperous, citizens living under these regimes experienced falling living standards during these years, to reach $26,223 per capita. Patronage democracies start with the lowest average income level of any regime type in 1984 ($3,901) and their average income levels rise slightly although still to only $5,597. Lastly patronage autocracies were also poor societies in 1984, with per capita incomes of only $5,232, and their average income levels fall slightly during recent decades. Thus bureaucratic democracies accelerate their lead over all other types of regimes, especially widening the disparities with patronage democracies. In 1984, bureaucratic democracies enjoyed average income levels just over three times the level of patronage autocracies. By 2007, the equivalent gap had grown to roughly six times the level.

But growth is widely recognized to be the product of many factors beyond regime institutions. And in a reciprocal relationship, growing affluence is believed to strengthen the quality of democratic governance. Thus these findings should not imply be taken to imply that the type of regime necessarily causes growth, due to the need for many other controls in multivariate models and the need to address complex issues of endogeneity when interpreting this relationship. Rising incomes have been regarded
as a cause of both growing democratization (through the expansion of the middle classes, the Lipset thesis), as well as better governance (through the resources invested in the bureaucracy and public demands for services). For example, both the United States and Mediterranean European countries have been forced to cut public services and shrink the size of the public sector workforce employed at local and national levels after experiencing an economic downturn, triggered by the 2008 housing crisis in America, global financial pressures, reduced revenues, and growing government budgetary deficits. Thus the recession has had a direct impact on governance, by constraining the provision of basic public services, such as schools, roads, police, and health care.

[Table 5.1 about here]

The simple correlations and the multivariate models presented in Tables 5.1 and 5.2 examine the core propositions arising from theories about the effects of democratic governance controlling for many factors which the literature suggests contribute towards prosperity, including geographic variables, prior economic conditions, social structural factors, cultural traditions and global trends. The simple correlations suggest that multiple factors are significantly associated with growth, including many structural conditions which are largely fixed or slowly changing. Thus the geographic location of any country (measured by latitude) is strongly correlated with rates of economic growth; since location is fixed, this suggests that geography determines income. Similarly cultures which are predominately Muslim have negative growth rates, suggesting that religious traditions affect the economy. The levels of liberal democracy (R=.038***) and bureaucratic governance (R=.083**) are also weakly correlated with growth, although here it is not possible to determine the direction of causation in the relationship due to the possibility of reciprocal effects and omitted variable bias. The multivariate regression models lag all the independent variables by one year, as a partial control on endogeneity. The regression models present the unstandardized beta regression coefficients, their significance, and the panel corrected standard errors, along with the number of observations and countries under comparison.

If we first examine the effects of the controls, factors which are consistently positive and significantly related to growth across all models include the location of countries (measured in latitude or degrees distant from the equator), trade flows, and countries with the legacy of a British colonial background. Latitude is a proxy for many other factors affecting the tropics, from climate and agriculture (the availability of potential crops and animals) to the prevalence of disease. Trade is important for growth via closer integration into global markets for exchanging products and commodities. Negative factors significantly depressing income across many (not all) models include levels of internal conflict;
societies experiencing civil wars, domestic violence, and instability can be expected to have conditions deterring investment, while conflict also destroys essential infrastructure and physical capital, increases military expenditure, and reduces the total number of people potentially employed in the civilian labor force. In terms of social heterogeneity, linguistic fractionalization is consistently negatively related to growth while religious fractionalization often proves negative but the coefficient is insignificant. Easterly and Levine have highlighted the important role of ethnic fractionalization in explaining lack of growth in Sub-Saharan Africa, but the type of ethnic identity and cleavage appears important for its effects. The role of natural resources could potentially function as a blessing (by funding investment) or a curse (by encouraging corruption and inequality). The results in these models confirm the latter interpretation; an extensive literature suggests that income arising from oil and gas natural resources is often captured by predatory elites, as well as being a cause for conflict and instability. Lastly, contra the assumption that human capital contributes towards growth, and in line with Easterly’s skeptical view, secondary school attainment was not consistently and significantly linked to prosperity.

Democracy and growth

After controlling for these factors, what is the impact of governance? Models in Table 5.1 test the main effects suggested by theories of good governance. The results demonstrate that after applying the controls, in Model 1a, economic growth is not affected by neo-liberal measures of good governance alone (including the World Bank Institute’s estimates of rule of law, property rights and control of corruption), nor in Model 1b by bureaucratic governance alone (as monitored by the ICRG). These results are contrary to those presented by Evans and Rausch, but their analysis of Weberian governance was restricted to three dozen developing countries. When both liberal democracy and bureaucratic governance are entered into Model 1c, however, both emerge as significant predictors of economic growth. The theory in this study posits that it is important to counterbalance the accountability of elected officials for the country’s economic performance with the capacity of the public sector to manage the economy effectively, and the results support this argument. This model shows that both these factors have effects which are similar in strength; an improvement of 10% in the 100-point scales of liberal democracy and bureaucratic governance increases annual per capita growth in GDP by roughly 0.2 or 0.3% higher respectively. This may appear to be a relatively modest impact in itself, but since average growth rates for all countries throughout these years is 1.9%, the rise is not inconsiderable.

[Table 5.1 and 5.2 about here]
A similar series of models in table 5.2 examine the impact of democracy upon economic growth, based on the alternative arguments considered earlier. The results in Model 2a demonstrate that after applying the same range of controls, liberal democracy, by itself, has no direct impact on growth. A robustness check, replicating the models but substituting the Polity IV standardized democracy scale, produced a similar result. These results are contrary to the conclusion of Halperin et al, based on comparing the economic performance of least developed nations but failing to control for many factors driving both democratization and growth. At the same time, they provide further confirmation for the findings reported in many previous studies which are skeptical about the link between democracy and growth, including studies published by Barro, Przeworski et al, and Doucouliagos and Ulubasoglu. There are many reasons why the assumed mechanism of electoral accountability may fail, so that governments may be returned to office, despite a poor economic performance, or they may be kicked out despite growing prosperity. In liberal democracies, the chains of accountability linking citizens with representatives are complex. In systems with divided government and power-sharing arrangements, it is difficult to assign praise or blame for macroeconomic management. Government survival during inter-electoral periods depends upon parliamentary support, as well as popular votes. Voters can cast their ballots based on many reasons unconnected with past or future economic performance. The general public may find it difficult, or even impossible, to evaluate more technical and abstract economic conditions (such as the size of the government deficit, the level of any trade imbalance, or the international strength of the currency), still less to attribute praise or blame for these conditions. Citizens’ evaluations of many aspects of economic performance, where they lack direct pocket-book experience, are framed by the news media. Parties are accountable to members and partisan supporters, as well as the general public. Given the complexity of assigning responsibility for economic management in long-established democracies, where parties and leaders have established a long-track record over successive administrations, it is not surprising if this accountability proves even weaker in many countries where parties and leaders have not yet established a strong reputation which could form a rational basis for retrospective economic voting. Poor economic performance can be blamed on international forces or private sector actors, allowing government officials to duck responsibility. Moreover even if the chain of accountability works perfectly, so that politicians are accountable for their handling of the economy, and they have every intention of serving the public interest, this does not mean, by any means, that they can necessarily deliver on their economic promises if states lack the technical capacity to do so.
Model 2b examines the impact of several of the core institutions associated with power-sharing arrangements. If institutional effects on growth are conditional, then growth is expected to vary according to whether states are federal or unified, whether electoral systems are proportional or majoritarian, and whether the type of executive is parliamentary or presidential, although the direction of any institutional effects is not easy to predict from existing theories. Model 2b in Table 5.2 demonstrates complex results after applying all the prior controls. In particular, the comparison of parliamentary executives in all the countries under comparison shows a strong and significant impact on growth, as Persson and Tabellini have reported. Countries with either mixed executives (combining a presidency and prime minister) or with a pure presidential executive generally have lower prosperity than parliamentary systems. Overall these general findings serve to support the argument that parliamentary executives usually strengthen collective accountability; in these systems, where responsibility for managing the economy rests with the party or parties in government, it is easier for electors to assess economic performance and to ‘kick rascals out of office’. By contrast, in regimes with mixed or presidential executives, when given the opportunity to choose leaders at the ballot box, it is more difficult for citizens to assign clear-cut praise or blame for economic conditions. Similarly the direct effects of proportional representation electoral systems are also significantly related to income, further confirming Knutsen’s conclusions. By contrast, federalism does not appear to have a direct effect on economic performance. Yet the exact reasons for these patterns are not apparent theoretically, since power-sharing theories predict interaction effects, emphasizing the role of democratic institutions. Contrary to the direction predicted by consociational arguments, in fact the interaction effect between liberal democracy and parliamentary executives proved weakly negative. The other interaction effects from institutions in power-sharing democracies were insignificant.

Lastly, Model 2c in Table 5.2 tests the argument that democracy has an indirect effect on growth since this type of regime typically makes a greater investment in human capital than autocracies. Human capital has many dimensions and it is measured here by gross enrollment (male and female) in secondary schooling. The interaction effect of democracy and human capital on growth emerges as significant but negative, in the contrary direction to that predicted theoretically. There are reasons to be skeptical about the assumed importance of human capital for growth, for instance William Easterly suggests that the dramatic expansion in schooling and literacy experienced in many developing countries during the last four decades have, in fact, proved distinctly disappointing for raising incomes. Creating skills in the workforce is insufficient for prosperity, he argues, if societies continue to lack access to new technologies, or if there are few job openings for skilled workers and high levels of long-
term unemployment. Moreover growth may come through alternative strategies; hence Przeworski et al. found that democratic and autocratic regimes achieved prosperity through different routes. The study confirmed that among wealthier nations, democracies were more likely to invest in human capital (including education and training). But this did not necessarily generate a better economic performance, since wealthier autocracies achieve equivalent gains in productivity and growth through the alternative mechanism of higher fertility rates, which expanded the overall size of their workforce population.

**Divergent trajectories: Haiti and the Dominican Republic**

Econometric techniques are invaluable when seeking to determine global patterns but even the most sophisticated techniques have limits in their capacity to determine the direction of causality in complex relationships with any degree of confidence. Narratives can enrich our understanding, especially paired cases which share similar ‘fixed’ conditions, such as in their historical roots, latitude, and natural resources, but which differ during the contemporary era in their regime types. The cases chosen for this purpose in this chapter are Haiti and the Dominican Republic; dividing the Caribbean island of Hispaniola.

[Figure 5.4 about here]

The countries shared similar per capita real GDP of around $2000 in 1960 but, as illustrated in Figure 5.5, their trajectories diverged so far that during the last half century income has quadrupled in the Dominican Republic but halved in Haiti. By 2010, per capita GDP was $1,200 (and falling) in Haiti, compared with $8,900 (and rapid growth) in the Dominican Republic. The Dominican Republic is classified by the UNDP’s Human Development Index (HDI) as a medium developing country, ranked by the HDI as 98th out of 187 societies worldwide in 2011. In this regard, while not as affluent as some of its Caribbean neighbors, such as Trinidad and Tobago or Jamaica, the Dominican Republic is roughly comparable in terms of human development with Sri Lanka, Algeria and China. With the second largest economy in the region, it has become the Caribbean’s most popular tourist destination. By contrast, even before the devastating earthquake in 2010, Haiti was one of the least developed countries around the globe, currently ranked 158th lowest worldwide by the HDI, similar to human development in Liberia and Nigeria. In Haiti, real per-capita GDP fell by an average of 1% per year from 1961 to 2000, which resulted in an overall decline of 45% over the period.

[Figure 5.5 about here]
The key puzzle is determining what produced these divergent trajectories. Is this due to historical legacies? Geographical locations? Social structures? Or institutions?

Their historical roots may be important. The island of Hispaniola was explored by Christopher Columbus on this first voyage in 1492 and claimed by the Spanish, who used it as a base to expand control in the Caribbean and Americas. The French subsequently established a base on the western side of the island and in 1697 this territory was ceded to them by the Spanish, eventually becoming Haiti. A century later, the western part of the island overshadowed the eastern in population and wealth, due to plantations of sugar, coffee and indigo, worked by African slaves. The twin countries today reflect their colonial heritage in terms of language, although Haiti achieved independence from France in 1804 and the Dominican Republic won independence from Haiti in 1844. The period after independence was marked by extreme political instability: from 1843 to 1915, a succession of 22 presidents in Haiti saw 21 of them assassinated. The Dominican Republic endured 50 different presidents and 30 revolutions between 1844 and 1930. Acemoglu and Robinson suggest that colonial origins matter for growth, with early patterns of settlement leading to the development of rule of law and governance institutions. Acemoglu and Robinson report that both Haiti and the Dominican Republic had similar levels of settler mortality, however, so this cannot be the root cause of modern contrasts in these particular cases. Given the length of time that each country has been self-governed, and the fact that the economic divergence has accelerated since the 1960s, it is also implausible to attribute any contemporary differences in development to their colonial backgrounds in the early 19th century. Moreover studies which have examined the impact of colonial legacies on contemporary patterns of economic and political development have reported that British origins do make a difference, for both levels of development and democratization, but no major contrasts have been detected among other types of French, Spanish or Dutch colonists.

Geography is often regarded as a deep driver of growth, especially the distribution of natural resources, access to shipping, proximity to trade markets, and closeness to the equator (and thus vulnerability to tropical diseases, hurricanes and tropical storms, and problems arising from global warming). Yet both parts of Hispaniola are similar in these regards. As small island states, these nations should be more stable and democratic than their neighbors in South America; ever since Dahl, it has been observed that the size of nations matters for their politics. These societies may differ, however, in physical geography, mountainous terrain, and thus land fertility for agricultural production. Jarad Diamond argues that Haiti suffered from rapid deforestation and loss of soil fertility due to higher
population densities and lower rainfall than the eastern part of the island. There has been widespread environmental degradation, destroying fertile land. If crops were poor, this could have prevented growth through exports such as coffee, sugar, and cotton, and restricted subsistence farming and the domestic food supply. The average annual rainfall in meteorological records is 54 inches in the Dominican Republic, however, the same as the Haiti total. Both societies have mountainous and rugged terrain interspersed with farming areas; today arable land constitutes about one quarter (22.4%) of the Dominican Republic but slightly more (28%) of Haiti.

[Table 5.3 about here]

The comparative economic and social indicators in Table 5.3 highlight the major contrasts between these conjoined twins. Both countries have populations of almost 10 million, with a predominately Catholic religious background. Easterly and Levine suggest that ethnic fractionalization depressed growth in Sub-Saharan Africa, and deeply-divided plural societies are also widely regarded as more vulnerable to instability and violence. Both Haiti and the Dominican Republic have broadly similar ethnic, racial and religious compositions, however; the indigenous Indian population died out under the Spanish colonists and both countries developed populations of mixed European and African descent. The early colonists in Haiti relied more upon slave labor for sugar production in large plantations, however, while the Dominican Republic was based upon a ranching economy and tobacco farming, requiring fewer slaves. By any of the developmental indices, today people living in the east consistently lag far behind the quality of life in the east, whether by unemployment rates, poverty, literacy, infant or maternal mortality, or life expectancy. The Dominican Republic still experiences relatively high levels of social inequality and only moderate levels of average household income, but nevertheless well before the 2010 earthquake decimated the population and destroyed infrastructure, Haiti had suffered for decades from widespread poverty and social deprivation.

[Figure 5.6 about here]

If not history, geography, or social structure, what of political institutions? The record of democratic governance in both nations also shows contrasting paths in recent decades. As shown in Figure 5.6, both countries display some volatility in the measures of liberal democracy and the quality of governance, but nevertheless the Dominican Republic shows a consistently stronger record on both indices.
The Dominican Republic

During the 1960s, both countries were ruled by patronage autocracies. In the Dominican Republic, President Rafael Trujillo, who had ruled as a dictator for thirty years, was assassinated in 1961. Elections in 1962 were won by President Juan Gavino but he was toppled in a military coup d’etat the following year. The United States sent in armed forces to restore order and the elections in 1966 returned Joaquín Balaguer. President Balaguer remained in power for a dozen years through rigging elections and jailing critics, repressing human rights and civil liberties. This era was a period of growing disparities between rich and poor, where the performance of the economy improved, although growth depended heavily upon commodity prices. In 1978 he was defeated at the polls and he was replaced by the short-lived governments of President Guzman (1978-1982), the first peaceful transition from one freely elected president to another. In turn another transition saw the election of President Blanco (1982-1986), before President Balaguer again returned to power. Political rights and civil liberties eroded under his rule, with two successive rigged elections, before he stood down in 1996.

Since the mid-1990s, however, successive administrations have seen growing respect for human rights and political stability, holding a series of elections which are generally regarded as meeting international standards of integrity. The current President, Leonel Fernandez of the Dominican Liberation Party, has won third successive term in office under elections which observers report are relatively free and fair, although marred by sporadic violence. The 2012 presidential race is divided between the ruling PLD candidate Danilo Medina and the opposition PRD candidate, former President Hipolito Mejia.

Today the Dominican Republic is a representative democracy with national powers divided among independent executive, legislative, and judicial branches. The president appoints the cabinet, executes laws passed by the legislative branch, and is commander in chief of the armed forces. The president and vice president are elected by direct vote for 4-year terms. Legislative power is exercised by a bicameral Congress—the Senate (32 members) and the House of Representatives (178 members). There remain some human rights problems, notably with unlawful killings by security forces, and issues facing Haitian refugees, but overall the country has moved well beyond the practices common two decades earlier. The quality of governance and public sector reform still need to be strengthened further, however, according to the ICRG index, following a sharp fall in early 2000-2002, during the banking crisis. For this reason the regime is still classified as a patronage democracy, lacking state capacity. During the last fifteen years, as democracy has consolidated, the economy also experienced its
strongest period of sustained expansion. The economy grew at an average rate of 7.6% annually from 1996 to 2000, before a banking crisis caused a setback, but growth subsequently recovered, averaging 7.8% from 2004 to 2010. The Dominican Republic is part of a free trade area with the US and Central American partners, and it exports textiles, electronic products, jewelry, tobacco, and pharmaceuticals, as well as cacao, sugar, tobacco, and coffee, as well as benefitting from an expansion of tourism. Thus the strengthening economy coincided with improvements in democratization and the stable transfers of power experienced since the mid-1990s.

Haiti

The political conditions in Haiti present a striking contrast. In 1957, Francois Duvalier (Papa Doc) won in the country’s first universal suffrage presidential election. Reelected in fraudulent contests in 1961, he declared himself president for life, ruling with the aid of the paramilitary forces and a predatory state. The Duvalier regime perfectly exemplifies patronage autocracies; the president privatized public funds for his own personal use and to enrich his supporters. His methods included diversion of tax money and foreign aid, contributions from wealthy businessmen as well as extortion, theft, and property expropriation of suspected opponents. Upon his death in 1971, his son, Jean-Claude Duvalier (Baby Doc) took over the mantle and benefits of presidential office. As shown in Figure 5.6, both liberal democracy and state capacity were weak during this era. There were two brief attempts at establishing civilian democracy during the mid-80s and early-1990s, shown by the fluctuating patterns of liberal democracy, but both were crushed by military coups.

A new constitution was ratified in 1987 that provided for an elected, bicameral parliament; a mixed executive with an elected president as head of state and a prime minister, cabinet, ministers, and Supreme Court appointed by the president, with the parliament’s consent. The constitution also provided for political decentralization through the election of mayors and administrative bodies responsible for local government. In December 1990, Jean-Bertrand Aristide won 67% of the vote in a presidential election that international observers deemed largely free and fair. In 1991, just nine months after taking elected office, President Jean-Bertrand Aristide had to flee the country, with the instability causing a sharp economic decline. After a US led invasion of the country, Aristide was reinstated in 1994. He stood down the next year, due to constitutional term limits, to be succeeded by Rene Preval, a close ally. In 2000, Aristide was reelected president, amid criticisms of electoral irregularities. In subsequent years, while the Dominican Republic transitioned to a stable electoral democracy and an expanding economy, Haiti experienced successive periods of political deadlock, growing dissatisfaction with the
government, deteriorating security, and armed rebellions against the government. On February 29, 2004 Aristide submitted his resignation as President of Haiti and flew on a chartered plane to Africa. The interim government which succeeded him organized free and fair elections, returning Rene Preval to the presidency. Nationwide civil disturbances broke out in April 2008, sparked by sharp increases in food and fuel prices, following a few months later by a series of tropical storms and hurricanes.

Haiti was beginning the recovery process from these destabilizing events when, on January 12, 2010, a 7.0-magnitude earthquake struck Haiti, with its epicenter near Port-au-Prince. The government estimated 320,000 deaths, about one million displaced people within the Port-au-Prince metropolitan area. The earthquake was the worst to hit the country in more than two centuries, and it generated an estimated $11.5 billion in damages and reconstruction costs. The capacity of the central authorities to respond with emergency relief was severely hampered by the fact that many government buildings located in the capital, including for justice and police forces, were also severely damaged and personnel were lost. The international community pledged humanitarian aid to help the reconstruction effort, to rebuild essential infrastructure, housing, and public services. The Haitian economy had been growing slowly since 2005, with GDP growth (2.9%) barely outstripping population growth, but the economy contracted sharply after the earthquake. As shown in Figure 5.6, the trends in democracy and governance in Haiti consistently lag behind the Dominican Republic, with a particularly erratic and unstable performance on liberal democracy, and the economy either flat-lines or else erodes slightly over time. Haiti remains the poorest country in the Western hemisphere.

The descriptive comparison of these twin societies cannot prove that it is necessarily the quality of democratic governance per se which is driving the contrasting economic performance and human development in these countries. Indeed it is also plausible that there is an interaction effect, or a virtuous circle, so that rising prosperity in the Dominican Republic generates government resources which are available for investing in better schools, hospitals and public services, which also probably encourages greater government satisfaction and thus political stability. But these case studies, combined with the econometric models presented earlier in this chapter, also strongly suggest that in trying to explain the divergent trajectories, the type of regime matters even when we control for many conditions in developing societies arising from their historical legacies, social structure, and geographic location, which theories suggest also contribute towards poverty and growth. This reinforces the observations of many other scholars who have also concluded that political institutions are critical for divergent developmental pathways evident in Latin America. And the timing of the improvements in
the economy in the Dominican Republic indicates that prosperity started to take off in the late 1960s and early 1970s, when both countries were ruled by patronage autocracies. Sustained growth accelerated most sharply in the Dominican Republic from the mid-1990s onwards, however, during the period of democratization, when there were a series of free and fair elections, and greater political stability in the peaceful transition from one administration to the next. The transformation in economic fortunes is relatively recent in this state, so it cannot be attributed to the institutional and historical legacy of colonial administration centuries earlier. The econometric models suggest that states which have both growing state capacity and the institutions of liberal democracy are most likely to experience economic growth. By contrast, the continuing political instability, deadlock, armed uprisings, and weak state capacity in Haiti, a patronage autocracy, have been accompanied by no effective alleviation of the severe poverty facing the country.

Conclusions

The varied thinkers commonly make two core claims favoring democratic governance. Firstly, it is argued on normative grounds that legitimate governance should be based on the will of the people, as expressed through the institutions of liberal democracy. These claims are embodied in international conventions, agreed by the world’s governments, notably Article 21 of the 1948 Universal Declaration of Human Rights: “The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.” Human rights-based arguments reflect universal claims. Rights-based arguments reflect powerful moral arguments which resonate widely among those sharing democratic values. Many also suggest that ‘good’ governance is intrinsically valuable; in this view, states should reflect the Weberian principles of clean, efficient, and effective public administration, rule of law, and impartial decision-making. Confronted by those who remain skeptical about these claims, however, the second strand of the argument suggests that democratic regimes are not only of intrinsic value, but they also have instrumental benefits. The way that leaders are chosen and held accountable by citizens is thought to have important consequences for whether governments act in the public interest. Similarly state-builders claim that governments which are more competent, effective and efficient when steering the economy are more likely to produce stable growth and security, acting as partners for achieving developmental goals in conjunction with the international community.
The evidence which help to determine institutional effects is complex to analyze, not least due to problems of missing data, reciprocal causation, limited country coverage, and the challenges of conceptual validity for many common indices. This study has sought to throw fresh light on these issues, building upon the argument that neither liberal democracy nor good governance, in isolation, can be expected to generate conditions for sustained growth, although the combination of these characteristics is predicted to prove important for prosperity. The result of the analysis lends confirmation to this argument, while also casting serious doubt on several alternative theories. The core thesis emphasizes that both liberal democracy and governance capacity need to be strengthened simultaneously for effective development, within the constraints posed by structural conditions. Democracy and governance are separate phenomena but their interaction is necessary (although not sufficient) to achieve progress. Liberal democracy is theorized as critical for development, by allowing citizens to express their demands, to hold public officials to account, and to rid themselves of incompetent, corrupt or ineffective leaders. Yet rising public demands which elected officials cannot meet is a recipe for frustration – or worse. In this sense, the issue is not simply about providing electoral incentives so that vote-seeking politicians pay attention to social needs but also providing elected leaders with the capacity to implement effective policies. Thus the quality of governance is also predicted to play a vital role in development, where the notion of ‘good governance’ is understood in terms of expanding the capacity of elected representatives and officials to manage the delivery of basic public goods and services, so that leaders can respond effectively to citizen’s demands. The quality of both democracy and governance are not isolated phenomena, however; regimes reflect, as well as shape, the enduring structural conditions in each society. The international development community, national governments, and civil society organizations have devoted growing resources to strengthening democracy and governance. The difficult and complex challenge facing reformers, and thus applying the lessons of the Dominican Republic to Haiti, is therefore to develop simultaneously both the institutions of liberal democracy and good governance, within the structural constraints of each society, rather than prioritizing one or the other of these twin development goals.
Figure 5.1: Mean economic growth by type of regime

![Graph showing mean economic growth by type of regime.]

**Note:** Mean annual growth of income per capita in purchasing power parity from the chain series index of the Penn World Tables, 1984-2007. For the regime typology, see Appendix A.
Figure 5.2: Trends in economic growth by type of regime, 1980-2010

**Note:** Mean annual growth of income per capita in purchasing power parity (constant prices) from the chain series index of the Penn World Tables, 1980-2010. For the regime typology, see Appendix A.
Figure 5.3: Economic growth by stable type of regime

Note: Mean annual growth of real income per capita in purchasing power parity from the chain series index of the Penn World Tables, 1984-2007. For the regime typology, see Appendix A.
Figure 5.4: Haiti and the Dominican Republic
Figure 5.5: Economic growth in Haiti and the Dominican Republic

Note: Real GDP per capita, constant prices, chain series, Penn World Tables.
Figure 5.6: Trends in democracy and governance in Haiti and the Dominican Republic

Note: Liberal democracy is measured by the standardized 100-point Freedom House index of political rights and civil liberties. The quality of governance is measured by the standardized 100-point ICRG index.
### Table 5.1: The impact of governance on economic growth

<table>
<thead>
<tr>
<th>Models</th>
<th>Economic growth correlations</th>
<th>Good governance institutions</th>
<th>Bureaucratic governance</th>
<th>Democratic governance</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>R</td>
<td>p</td>
<td>b</td>
<td>p PCSE</td>
</tr>
<tr>
<td>REGIME EFFECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberal democracy (FH)</td>
<td>.038 ***</td>
<td></td>
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<td></td>
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<tr>
<td>Bureaucratic governance (ICRG)</td>
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<td></td>
<td></td>
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<td>Good governance (Rule of law, property rights and control of corruption)</td>
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<td>.143</td>
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<td></td>
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<tr>
<td>CONTROLS</td>
<td>Economic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade flows</td>
<td>.092 ***</td>
<td></td>
<td>.032</td>
<td>* .014</td>
</tr>
<tr>
<td>Income (Per capita GDP)</td>
<td>.040 ***</td>
<td></td>
<td>.001</td>
<td>.000</td>
</tr>
<tr>
<td>Geographic</td>
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<td>6.75</td>
<td>*** .642</td>
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<td>-.001</td>
<td>.000</td>
</tr>
<tr>
<td>Natural resources (Oil/gas rents)</td>
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<td>-.001</td>
<td>.000</td>
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<tr>
<td>Social Structure</td>
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<td></td>
</tr>
<tr>
<td>Linguistic fractionalization</td>
<td>-.039 ***</td>
<td></td>
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<tr>
<td>Religious fractionalization</td>
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<td>.793</td>
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<td>Human capital (secondary schooling)</td>
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<td>Logged population size</td>
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<td>.380</td>
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<tr>
<td>Internal conflict</td>
<td>-.058 ***</td>
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<td>.453</td>
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<tr>
<td>Cultural traditions</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Muslim society</td>
<td>-.038 ***</td>
<td></td>
<td>1.45</td>
<td>* .779</td>
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<td>British colonial legacy</td>
<td>-.012</td>
<td></td>
<td>.959</td>
<td>*** .290</td>
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<td>Global trends</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>.042 ***</td>
<td></td>
<td>-.094</td>
<td>.105</td>
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<tr>
<td>R²</td>
<td></td>
<td></td>
<td>.085</td>
<td>.030</td>
</tr>
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<td>Number of observations</td>
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<td>508</td>
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<td>Number of countries</td>
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<td></td>
<td>103</td>
<td>95</td>
</tr>
<tr>
<td>Years</td>
<td>20</td>
<td></td>
<td>5</td>
<td>20</td>
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**Note:** The models present the unstandardized beta coefficients and the statistical significance of Ordinary Least Squares linear regression models with Panel Corrected Standard Errors. The dependent variable is income per capita in purchasing power parity from the chain series index of the Penn World Tables. *** p <0.001, ** p <0.01, * p < 0.05. For details of all the variables, see the technical appendix.
Table 5.2: The impact of democracy on economic growth

<table>
<thead>
<tr>
<th>Model</th>
<th>2a</th>
<th>2b</th>
<th>2c</th>
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<tr>
<td></td>
<td>Liberal Democracy</td>
<td>Power-sharing Institutions</td>
<td>Democracy and Human Capital</td>
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<td>REGIME EFFECTS</td>
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<td>Liberal democracy (FH)</td>
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<td>.003</td>
<td>.017 **</td>
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<tr>
<td>PR electoral systems (1)/ Majoritarian or mixed (0)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Parliamentary Executive (1)/ Other (0)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Liberal democracy * federal state</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberal democracy * PR electoral system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberal democracy * Parliamentary Executive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONTROLS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade flows</td>
<td>.032 ***</td>
<td>.004</td>
<td>.030 ***</td>
</tr>
<tr>
<td>Income (Per capita GDP)</td>
<td>.001</td>
<td>.000</td>
<td>.001 *</td>
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<tr>
<td>Geographic</td>
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<td>1.78 *</td>
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<td>-.000</td>
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<td>Natural resources (Oil/gas rents)</td>
<td>-.001 ***</td>
<td>.000</td>
<td>-.001 ***</td>
</tr>
<tr>
<td>Social Structure</td>
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<tr>
<td>Linguistic fractionalization</td>
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<td>-.196</td>
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<tr>
<td>Religious fractionalization</td>
<td>-.450</td>
<td>.257</td>
<td>-.448</td>
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<tr>
<td>Human capital (secondary schooling)</td>
<td>-.011 **</td>
<td>.005</td>
<td>-.011</td>
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<tr>
<td>Logged population size</td>
<td>.568 ***</td>
<td>.129</td>
<td>.442 *</td>
</tr>
<tr>
<td>Internal conflict</td>
<td>-.015 *</td>
<td>.241</td>
<td>-.485 *</td>
</tr>
<tr>
<td>Cultural traditions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim society</td>
<td>.510 *</td>
<td>.344</td>
<td>.300</td>
</tr>
<tr>
<td>British colonial legacy</td>
<td>.586 ***</td>
<td>.166</td>
<td>.678 **</td>
</tr>
<tr>
<td>Global trends</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>-.039 ***</td>
<td>.013</td>
<td>-.050 ***</td>
</tr>
</tbody>
</table>

R²  | .027 | .031 | .029 |
Number of observations | 3,071 | 3,038 | 3,071 |
Number of countries | 103 | 102 | 103 |
Years | 32 | 32 | 32 |

Note: The models present the unstandardized beta coefficients and the statistical significance of Ordinary Least Squares linear regression models with Panel Corrected Standard Errors. The dependent variable is income per capita in purchasing power parity from the chain series index of the Penn World Tables. *** p <0.001, ** p <0.01, * p < 0.05. For details of all the variables, see the technical appendix.
### Table 5.3: Comparative indicators: Haiti and Dominican Republic

<table>
<thead>
<tr>
<th></th>
<th>Haiti</th>
<th>Dominican Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area size (sq km)</strong></td>
<td>27,750</td>
<td>48,670</td>
</tr>
<tr>
<td><strong>Natural resources</strong></td>
<td>Bauxite, copper, calcium carbonate, gold, marble, hydropower</td>
<td>Nickel, bauxite, gold, silver</td>
</tr>
<tr>
<td><strong>POPULATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (July 2011)</td>
<td>9,719,932</td>
<td>9,956,648</td>
</tr>
<tr>
<td>Language</td>
<td>French/creole</td>
<td>Spanish</td>
</tr>
<tr>
<td>Ethnic groups</td>
<td>Black 95%, mulatto and white 5%</td>
<td>Mixed 73%, white 16%, black 11%</td>
</tr>
<tr>
<td>Religion</td>
<td>Roman Catholic 80%, Protestant 16%, none 1%, other 3%</td>
<td>Roman Catholic 95%, other 5%</td>
</tr>
<tr>
<td>Linguistic fractionalization</td>
<td>N/a</td>
<td>.04</td>
</tr>
<tr>
<td>Religious fractionalization</td>
<td>.47</td>
<td>.31</td>
</tr>
<tr>
<td><strong>POLITICAL HISTORY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colonial background</td>
<td>Became French colony in 1697</td>
<td>Spanish colony in 1492</td>
</tr>
<tr>
<td>Independence</td>
<td>1804 (from France)</td>
<td>27 February 1844 (from Haiti)</td>
</tr>
<tr>
<td>Regime type (2007)</td>
<td>Patronage autocracy</td>
<td>Patronage democracy</td>
</tr>
<tr>
<td>Executive</td>
<td>Mixed executive</td>
<td>Presidential</td>
</tr>
<tr>
<td>Legislature</td>
<td>Bicameral National Assembly</td>
<td>Bicameral National Congress</td>
</tr>
<tr>
<td>Democracy index, FH</td>
<td>50/100</td>
<td>85/100</td>
</tr>
<tr>
<td>Governance index (ICRG)</td>
<td>15/100</td>
<td>33/100</td>
</tr>
<tr>
<td>Corruption Perception Index (2010)</td>
<td>Ranked 146/178</td>
<td>Ranked 101/178</td>
</tr>
<tr>
<td><strong>ECONOMY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (in ppp) (2010)</td>
<td>$11.48 billion</td>
<td>$87.25 billion</td>
</tr>
<tr>
<td>GDP growth rate (2010)</td>
<td>-5.1%</td>
<td>+7.8%</td>
</tr>
<tr>
<td>GDP per capita (in ppp) (2010)</td>
<td>$1,200</td>
<td>$8,900</td>
</tr>
<tr>
<td>Workforce: % agriculture</td>
<td>38.1%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Workforce: % industry</td>
<td>11.5%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Workforce: % services</td>
<td>50.4%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Unemployment rate (2010)</td>
<td>40.6%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Pop. below poverty line (2004)</td>
<td>80.0%</td>
<td>42.2%</td>
</tr>
<tr>
<td><strong>SOCIAL INDICATORS</strong></td>
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<tr>
<td>Human Development Index (2011)</td>
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<td>.689 (Medium)</td>
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<tr>
<td>Literacy</td>
<td>53%</td>
<td>87%</td>
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<tr>
<td>Infant mortality rate (2008)</td>
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<td>22.2 deaths/1,000 live births</td>
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<td>Maternal mortality rate (2008)</td>
<td>300 deaths/100,000 live births</td>
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<tr>
<td>Life expectancy (2011)</td>
<td>62 years</td>
<td>77 years</td>
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</tbody>
</table>

**Sources:** World Indicators, the World Bank; the CIA Factbook.


5 http://www.undp.org/annualreport2011/democratic_governance.html


68 See also Dankwart Rustow. 1970. ‘Transitions to democracy.’ Comparative Politics 2: 337-63.

69 Daron Acemoglu, Simon Johnson, and James A. Robinson. 2008. ‘Income and democracy.’ American Economic Review 98(3): 808-842. See also Edward L. Glaeser, Rafael La Porta, Florencio Lopez-de-


For other recent comparative studies of these issues, see Laura Jaramillo and Cemile Sancak. 2007. ‘Growth in the Dominican Republic and Haiti: Why has the Grass Been Greener on One Side of Hispaniola?’ IMF Working Paper 07/63; Cecilia Ann Winters and Robert Derrell. 2010. ‘Divided neighbors on an indivisible island: economic disparity and cumulative causation on Hispaniola.’ Journal of Economic Issues 44(3): 597-613.


102 See also Laura Jaramillo and Cemile Sancak. 2007. ‘Growth in the Dominican Republic and Haiti: Why has the Grass Been Greener on One Side of Hispaniola?’ IMF Working Paper 07/63.