The Democratic Transition
1870-2000

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Motivations

- Many countries have moved from autocratic regimes to more democratic ones in the course of the XXth century
- Since Aristotle, education and economic prosperity are expected to cause democracy
e.g. quote from T. Jefferson, Bill for the More General Diffusion of Knowledge, 1779
‘The most effectual means of preventing tyranny would be, to illuminate, as far as practicable, the minds of people at large, and more especially to give them knowledge of those facts, which history exhibiteth, that, possessed thereby of the experience of other ages and countries, they may be enabled to know ambition under all its shapes, and prompt to exert their natural powers to defeat its purposes’

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Recent papers by Acemoglu et al. (2005, 2008) challenge the modernization hypothesis as they find no significant correlation between education or log GDP per capita on the one hand and democracy on the other hand.

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Main Findings

- There is a robust long-term correlation between (changes in) log GDP per capita and (changes in) democracy, in direct contradiction with Acemoglu et al. (2008)
- Primary education is the most robust determinant of democracy: Fighting illiteracy is effective in promoting democracy
- There is little evidence supporting the reverse causality from democracy to schooling enrollment or economic growth
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Data

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Key facts (I)

- Average changes in democracy and in economic prosperity are well correlated over the last two centuries (14 countries)
The cross-country correlation between democracy and education (or log GDP per capita) is large overall, but it has flattened out over the last 50 periods simply because many countries had already the maximum score of democracy in 1960.
Democracy has converged between 1870 and 2000 and over any sub-period contrary to education and income.
Econometric framework

- We use panel fixed-effects, Arellano-Bond DIFF-GMM and Blundell-Bond SYS-GMM estimators using a 10-years time-span, various periods of reference (1960-2000, 1930-2000, 1900-2000, 1870-2000), various samples (balanced or unbalanced, excluding initial ‘full’ democracies) to estimate

\[ D_{i,t} = a_i + d_t + \rho D_{i,t-1} + \alpha \log Y_{i,t-1} + \beta S_{i,t-1} + u_{i,t} \]

imposing or not some coefficients to be equal to 0.
Main Results (I)

- There is overwhelming evidence that \textbf{log GDP per capita is significant} in the above regression, which contradicts Acemoglu et al. (2005, 2008) pointing at the following null correlation.
This null correlation is **spurious** as controlling for initial democracy restores its significance (**omitted variable bias**).
Main Results (II)

- Primary education is the most robust and most important determinant of democracy
- Changes in average years of primary schooling explain 40% of democracy changes among high-income countries between 1870 and 2000
- This is illustrated by the following simple Figure
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The modernization hypothesis is correct

‘Modern democracy rose along with capitalism, and in causal connection with it (...). Democracy in the sense of our theory of competitive leadership presided over the process of political and institutional change by which the bourgeoisie reshaped and rationalized the social and political structure(...). Modern democracy is a product of the capitalist process.’

Schumpeter, ‘Capitalism, Socialism and Democracy‘, 1942.