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The Impact of Democracy on Economic Growth in sub-Saharan Africa

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Abstract

This research will deal with regime dynamics (early interruption of democracies, early maintaining of democracies, late interruption of democracies, late maintaining of democracies, maintaining autocracies, and liberalizing autocracies), levels of democracy (liberal democracy, electoral democracy, and hybrid regimes) and their relationship with economic growth. Regime dynamics refers to the stability or interruption of democratic and authoritarian regime. The meaning of the regime dynamics categories are: maintaining autocracies (countries that have maintained their authoritarian regime over time), liberalizing autocracies (countries that are not considered close autocracies, having some democratic aspects, such as their electoral system with a set of minimal civil rights and freedom), late interruption democracies (countries that became democracies after 1997 but broke down), late maintaining democracies (countries that became democracies after 1997 and have maintained their democratic status), early interruption democracies (countries that became democracies before 1997 but broke down), early democratizers maintaining (countries that became democracies before 1997 and have maintained their democratic status). These categories are created based on how these countries score in the Freedom House. A total of 47 sub-Saharan African countries will be researched over time, from 1988 until 2008, in order to verify whether countries are included in which group of the regime dynamics' typologies. The variable of economic growth is affected by the regime dynamics.

In this case, early maintaining democracy is positive correlated with economic growth. The maintenance of regime, being it a democracy or an autocracy has higher growth rates compared to countries that have democratic or autocratic interruptions. Therefore, regime stability over time is a key variable in order to understand economic growth in sub-Saharan Africa. The impact of regime dynamics and levels of democracy on economic growth has been tested by applying Time Series Analysis (statistical methodology) and Ordinary Least Square method.

1. INTRODUCTION

This research will examine the dynamics affecting economic growth in sub-Saharan African countries. Scholars and policy makers still debate about what generates and influences economic growth. As a result, the study of economic growth is important due to several factors. First, the approach to enhancing the understanding of what affects economic performance will improve the capacity of policy makers and policy advisers to take decisions regarding micro and macroeconomic policies. Second, the creation of wealth depends on the accumulation of economic growth. As a consequence, economic growth is directly related to the generation of material welfare that might be concentrated among a small segment of the society or distributed among ordinary citizens through redistributive policies, such as welfare programs. It might also lead to structural transformations of a society, favoring the creation of a more literate and industrialized society. In the long term, socio-economic changes would increase the middle class, reducing the number of people living in poverty. Third, the analysis of economic growth is important because according to Adam Przeworski et al., even low income countries that are sustaining their economic growth have increased chances to maintain their democratic system.¹ Therefore, the creation and maintenance of economic growth is important for the sustainability of democratic regimes and, in the case of Africa, it is an important goal for newly democratic countries to achieve.

This research will deal with regime dynamics (early interruption of democracies, early maintaining of democracies, late interruption of democracies, late maintaining of democracies, maintaining autocracies, and liberalizing autocracies), levels of democracy (liberal democracy, electoral democracy, and hybrid regimes) and their relationship with economic growth. Regime dynamics refers to the stability or interruption of democratic and authoritarian regime. The meaning of the regime dynamics categories are: maintaining autocracies (countries that have maintained their authoritarian regime over time), liberalizing autocracies (countries that are not

¹Adam Przeworski, et al., *Democracy and Development: Political Institutions and Well-being in the World, 1950-1990* (New York: Cambridge University Press, 2000).

considered close autocracies, having some democratic aspects, such as their electoral system with a set of minimal civil rights and freedom), late interruption democracies (countries that became democracies after 1997 but broke down), late maintaining democracies (countries that became democracies after 1997 and have maintained their democratic status), early interruption democracies (countries that became democracies before 1997 but broke down), early democratizers maintaining (countries that became democracies before 1997 and have maintained their democratic status). These categories are created based on how these countries score in the Freedom House Index. A total of 47 sub-Saharan African countries will be researched over time, from 1988 until 2008, in order to verify which countries are included in which group of the regime dynamics' typologies. The variable of economic growth is affected by the regime dynamics. In this case, early maintaining democracy is positive correlated with economic growth. Two quantitative techniques will be employed, Ordinary Least Square (OLS) regression and Time Series Analysis. This study will also control for variables like foreign domestic investment, official development assistance and official aid, and total debt service. The inclusion criteria in selecting these variables are due to previous studies have included them, however, arriving to different conclusions. These studies will be briefly mentioned in chapter 6.

The research questions are the following: first, do regime dynamics affect economic growth in sub-Saharan Africa? Second, do different levels of democracy and autocracy influence economic growth in sub-Saharan Africa? The empirical findings in this study suggest that regime dynamics do affect economic growth when controlling countries that are oil producers.² Moreover, countries that have maintained their status as a democracy over time tend to have higher levels of economic growth compared to countries that have democratic interruptions or the ones that are not democratic.

A considerable number of empirical researches have examined regime type and economic growth in different ways. This study will focus deeply on comparative performance of more democratic, less democratic regime types, new or mature democracies, and new or mature

² Oil producers are represented by Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Kenya, Mauritania, Nigeria, Sudan, Congo Kinshasa, Congo Brazzaville, and Ivory Coast.

autocracies in sub-Saharan Africa. Many empirical studies contain methodological problems when taking into consideration only developed countries or by doing Time Series Analysis including countries from different regions without paying attention to regional particularities. Furthermore, many studies focus on how democracy affects micro and macroeconomic performances. In this regard, they analyze whether democracies are more or less effective than non-democracies in carrying out policies that stimulate economic growth. This study differs from the previous research since it centered on the aspect that regime stability is an important condition affecting economic growth. Countries with maintenance of regime, being it a democracy or an autocracy, are expected to have higher growth rates compared to countries that have democratic or autocratic interruptions. Therefore, regime stability over time is a key variable in order to understand economic growth in sub-Saharan Africa.

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2. STATE OF KNOWLEDGE

The beginning of the third wave of democratization, despite the differences of cultural and historical contexts, gave us a sensation of democratic success. The democratic phenomenon also led scholars to mention that it represented the end of the history and the triumph of the democratic model with the fall of the Berlin wall.³ Even though, Samuel Huntington stated that the waves of democratization could be followed by reverse ones.⁴ In fact, at the current time it is more predominant to find the structure of democracy in authoritarian regimes, such as the hybrid regimes. As a result, democracy has triumphed, although, it does not show a singular fashion. For instance, there are many democratizing, authoritarian and hybrid regimes in sub-Saharan Africa. The differences accounting for different levels of democracies and authoritarian regimes might be due to their levels of institutionalization, legacy of past-regimes, and historical and cultural contexts.⁵

In the literature on the subject of regime type and economic growth there are a variety of quantitative and qualitative studies leading to different interpretations of this relationship. Scholars have focused on four main aspects. First, modernization theory states that economic growth is a necessary requisite for democracy.⁶ A second group of scholars argue that economic growth is not a condition for democracy, even poor countries can democratize.⁷ Third, the literature on democracy states that once democracy is established, the continuous economic development helps to maintain democracy.⁸ Fourth, the emergent literature on the consequences of democracy (COD) states that democracy promotes economic growth.⁹

³ Francis Fukuyama, *The End of the History and the Last Man* (NY: Maxwell Macmillan, 1992).

⁴ Samuel Huntington, "Political Development and Political Decay," *World Politics* 17/3 (April 1965), 386-430.

⁵ Michael Bratton and Nicholas van de Walle. *Democratic Experiments in Africa: Political Transitions in Comparative Perspective* (Cambridge: Cambridge University Press, 1996).

⁶ Seymour M. Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy." *American Political Science Review* 53 (1959), 69-105.

⁷ Morton H. Halperin, Joseph T. Siegel, and Michael M. Weistain, *The Democratic Advantage: How Democracies Promote Prosperity and Peace* (New York: Routledge, 2005).

⁸ Przeworski et al., op. cit.

⁹ Giovanni Carbone, "The Consequences of Democratization." *Journal of Democracy* 20/ 2 (April 2009), 123-137.

2.1 The Modernization Theory

Since the 1960s, most of the literature on the subject of democracy has tended to analyze it as either a cause or a consequence of economic development. In this regard, modernization theory has emphasized that authoritarian regimes are better able to create the conditions for economic growth that would lead to democracy. Scholars with this view focus their attention on economic growth as a precondition for democracy. Many studies have focused on the relationship between democracy and economic growth since the time when the famous foundational article of the modernization theory, written by Seymour Martin Lipset about the social requisites of democracy, came out.¹⁰ As a result, scholars have been centering the debate on whether or not economic growth must precede democracy.

Lipset provides the first empirical work using cross national analysis, correlating data related to economic growth and democracy." He argues that economic development is positively correlated with democracy. He focuses on the structural transformations in a society. According to his view, rapid economic growth engenders a set of structural changes, such as industrialization, urbanization, and education." The better educated people are, the more easily they are mobilized to participate in politics as a way to influence the political system in order to have their aspirations satisfied. Urbanization and education also contribute to the formation of political parties and the emergence of the middle classes. Meanwhile, growth under authoritarian regimes is possible since governments are insulated from the demands of the citizens." On the other hand, democratic governments in poor countries need to respond to several demands coming from many sectors of the society, such as schools, the health care system, clean running water, and so on. Therefore, authoritarian regimes can maintain stability since they are insulated from society. They can also carry out policies that force citizens to be disconnected from politics since non-democratic regimes might use repression against opponents and enemies. Scholars

¹⁰ Lipset, op. cit.

¹¹ Ibid.

¹³ Theda Skocpol, Bringing the state back in: Strategies of analysis in current research. In Peter Evans, Dietrich Rueschemeyer, & Theda Skocpol (Eds.), *Bringing the state back in*. (Cambridge, UK: Cambridge University Press, 1985).

sustain this view by saying that non-democratic states are better at restricting credit, controlling wages, public spending, attracting foreign investment, and implementing effective policies regarding development and trade.¹⁴ These factors are very important in producing higher economic growth.

Lipset's main hypothesis is that it is the economic development that occurs under authoritarian regimes which is the main feature leading to democracy.¹⁵ Economic growth and the social transformations associated with it generate more social stability during the transition process compared to countries facing economic recession. The flourishing of democracy in a growing economy is seen by many academics as the result of the process of socio-economic transformations, especially the increase of mass participation. Modernization theory assumes that authoritarian regimes invest in industrialization and human capital at the time when they are growing quickly. According to them, the issue of time order infers that economic development leads to democracy. Indeed, the zone of change arrives when critical citizens strongly demand and pressure for political change through popular participation, regime openness, freedom and rights.

Yet Africa's authoritarian regimes have not been promoting industrialization by investing in human capital but, instead, their growth rates are mainly based on the exploitation of strategic natural resources, such as oil, diamonds, and gold. In most of the cases where non-democratic regimes are growing, their revenues are used to sustain neo-patrimonial networks and to acquire personal wealth and status for political elites. In addition, most of the studies of structural and historical changes have looked at European cases. Long periods of economic growth generated the accumulation of wealth in Western European societies. As a result, political values and beliefs have changed over generations. The most important factor associated with wealth is education. Education is linked to a new set of values that people learn at school as part of their early socialization. Education also increases their capacity to make rational choices. Moreover, the higher the levels of people's education, the more likely they are to believe in democratic

¹⁴ Stephan Haggard, *Pathways from the periphery: The politics of growth in the newly industrializing countries*. (Ithaca, NY: Cornell University Press, 1990).

¹⁵ Ibid.

values and support democratic practices.¹⁶ Huntington points out that as a country develops economically, they can be conceived of as moving into a zone of transition or choice, in which traditional forms of rule become increasingly difficult to maintain and new types of political institutions are required to aggregate the demands of an increasingly complex society and implement public policies in such a society.¹⁷

Another interesting point to take into consideration is that cross-sectional studies tend to confirm the modernization theory, while regional studies in Latin America and Africa, using Time Series Analysis, do not present the same results. Consequently, large n cross sectional observations can lead to biased outcomes. As a result, modernization theory might explain the trends in the so-called developed world, but they do not elucidate the cases represented by developing countries, except for China. Moreover, many scholars have centered their quantitative and qualitative analysis comparing countries that are located in different regions and have different legacies and cultures. In this case, their results might be biased since they include in the same basket Western and non-Western countries. For instance, democracy in the United States is categorized as the same as in Ghana, since the majority of these studies tend to classify democracy and autocracy in a dichotomous fashion.

2.2 Wealth and Sustainable Democracy

Modernization theory has been criticized by scholars such as Przeworski et al. who argue that modernization theorists have failed to differentiate between the establishment of democracy and its consolidation.¹⁸ Przeworski et al. criticize modernization theory; however, in their analysis about economic growth and democracy around the world between 1940 and 1990, they observe that most of the democracies that have maintained their status are considered rich.¹⁹ Consequently, they claim that the consolidation of democracies is much likely to occur in affluent or wealth countries. Lipset argues that economic development leads to democracy,

¹⁶ Lipset, op. cit.

"Samuel Huntington, "Will More Countries Become Democratic?" *Political Science Quarterly* 99 (Summer 1984): 193-218.

¹⁸ Ibid.

¹⁹ Ibid.

however, the data in his article shows additional evidence that economic development is more important in fostering democratic sustainability than generating democratic transitions.²⁰ Adam Przeworski and Fernando Limongi argue that the emergence of democracy is independent of the level of development.²¹ In this line of argument, Lipset points out that there is a strong and positive correlation between national wealth and democracy.²² Lipset explains this relationship by saying that democracy may be more likely to emerge as countries develop economically.²³ Lipset refers to this as "the more well-to-do a nation is, the greater the chances that it will sustain democracy."²⁴ Lipset looks at countries in Latin America and Europe and the English-speaking countries since First World War.²⁵ Therefore, European and the English speaking countries present a higher level of wealth and they are democracies. His findings demonstrate that most countries that are not considered democratic are also economically underdeveloped, on the other hand, modern democracies are, in most of cases, considered developed.

According to Lipset, only in a society where there is well-being can intelligent participation in political subjects occur. He points out that "the mass of the population could intelligently participate in politics and could develop the self-restraint necessary to avoid succumbing to the appeals of irresponsible demagogues. The society divided between the large impoverished mass and small favored elite would result either in oligarchy (...) or in tyranny".²⁶ A significant finding comes from Adam Przeworski et al., who point out that there is no relationship between levels of economic growth and transition to democracy.²⁷ However, they argue that poor democracies are more vulnerable and might collapse and the rich ones never break down. Przeworski et al. find that the less successful democratic regimes in generating economic growth are more likely to break down compared to the ones that are succeeding economically.²⁸ An important finding in their study is that economic growth is more related to democratic stability

²⁰ Lipset, op. cit.

²¹ Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts." *World Politics* 49 (January 1997), 155-183.

²² Lipset, op. cit.

²³ Ibid.

²⁴ Ibid., p75.

²⁵ Ibid.

²⁶ Lipset, op. cit., p75.

²⁷ Przeworski et al., op. cit.

²⁸ Ibid.

than the causation of democratization. Przeworski et al.'s argument is that democracies, having been established for whatever reason, are more likely to survive in wealthy countries.²⁹ They point out that democracy is likely to emerge in a country that is or is not developing economically, but democracy is more likely to survive in an economically developed country.³⁰

Przeworski et al.'s empirical study finds out that dictatorships survive in countries with a per capita income under \$1,000.³¹ They are less stable in countries with per capita incomes between \$1,001 and \$4,000, and even less so between \$4,001 and \$7,000.³² Nevertheless, if income reaches the level of \$7,000, the situation reverses and they become more likely to survive. Many cases in the Middle East support this explanation since countries with non-democratic regimes, such as Qatar, Kuwait, Brunei, and Bahrain, have their Gross Domestic Product (hereinafter referred to as GDP) per capita higher than \$35,000.³³ They are considered stable autocracies or sultanistic regimes according to Linz and Stepan.³⁴ As a result, transitions to democracy are less likely in poor countries than in rich ones, but they are more likely at the intermediate income levels. However, China, in this analysis, would be considered an outlier because it should have an unstable authoritarian regime since its GDP per capita is \$6,000.³⁵ Looking at African cases, two other outliers emerge: Angola and Equatorial Guinea. These two countries are considered unstable authoritarian regimes with high levels of GDP per capita.

On the other hand, a per capita income does have a strong impact on the survival of democracies.³⁶ No democracy has ever been subverted in a country with a per capita income higher than that of Argentina in 1975: \$6,055.³⁷ The probability of collapsing in an affluent society is almost zero. The explanation why democracies do not fall with a per capita income of

²⁹ Ibid.

³⁰ Ibid.

³¹ Przeworski et al., op. cit., 2000.

³² Przeworski et al., op. cit.

³³ CIA, *The World Factbook*, Publications CIA (2009). Available at <https://www.cia.gov/library/publications/the-world-factbook/rankorder/rankorderguide.html>. (November, 2007).

³⁴ Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe*, Baltimore: Johns Hopkins University Press (1996).

³⁵ Ibid.

³⁶ Przeworski et al., op. cit.

³⁷ Przeworski et al., op. cit.

\$6,055 is because an increasingly sophisticated population will inevitably emerge and call for greater political participation, freedom and social policies than that provided by the government. For instance, African countries with the highest long-term growth rates have been Botswana and Mauritius, both also have the longest period of being democratic. South Africa, Botswana, and Mauritius have GDP per capita higher than the Argentina line.³⁸ More recently, Benin, Ghana, Mozambique, and South Africa have economic growth with the resurgence of democracy. Continuing with African examples, growth is also positive in Cote d'Ivoire, Tanzania, and Malawi, where democratic transitions occurred in the early 1990s. On the other hand, Kenya, Nigeria, and the Democratic Republic of Congo represented the worse economic results in Africa during the 1990s. All of them were led by an authoritarian leader. Consequently, what leads to democracy is still an open question, however, the majority of the scholars agree that democracy, having been established for whatever reason, might be more likely to survive in developed countries.

Przeworski et al. point out that for controlling wealth, countries with continuous rates of economic growth have a probability of democratic death that is 1 in 135 during any three or more consecutive years, and 1 in 13 when there is an economic decline during any two consecutive years.³⁹ Therefore, countries that are growing have more chances to sustain their democratic regimes even if they have low income levels. On the other hand, according to Przeworski et al. most democratic deaths happen when a country experiences an economic crisis, this is true for countries with low levels of wealth.⁴⁰ For instance, the current economic crisis is strongly impacting the Spanish economy. Nevertheless, democracy is maintained even with the decline in support for the Socialist Party. On the other hand, looking at developing countries, in particular looking at the African scenario, a strong economic recession could make democratic regimes fall due to the lack of economic revenues necessary to maintain social programs, the lack of economic diversification, and the still recent experience with democracy. Therefore, one of the reasons why their democratic system might regress is because their governments, with a reduced budget, cannot satisfy popular demands. As a consequence, economic crisis represents

³⁸ CIA, op. cit.

³⁹ Przeworski et al., op. cit.

⁴⁰ Ibid.

the most common threat to democratic stability in democratizing countries, especially for low income ones.

2.3 Democracy and Economic Growth

According to Mancur Olson, one of the reasons to support democracies has to do with the fact that democracy is good for economy, promoting economic efficiency since investments tend to be relocated into more productive activities and consequently there is a scenario of more predictability and confidence in the market system." Olson arguments that democracies tend to provide more incentives to economic growth than do autocracies. These incentives are related to the protection of individual rights to private property ownership.⁴² In contrast, autocratic regimes usually do not enforce these laws. Therefore, foreign capital tends to go to more stable countries that are, in most of the cases represented by democratic countries rather than autocratic ones. Autocracies tend to safeguard the political and economic interests of the authoritarian leaders and their supporters, despite those of the society.

One of the problems regarding economic growth theory is that many dependent and independent variables can be described in the relationship with economic growth. Many variables are proved to have a correlation with growth, however, the causality effect has never been proved. Moreover, many spurious or third variables were also correlated with growth. One example of that is manifested in the work of Eberhard Scholling and Vincenz Timmermann.⁴³ They include 118 independent variables correlating with growth in their study. They conclude that almost all the socio-economic variables included in the model show significant direct and/or indirect growth effects. Therefore, they demonstrate in their study that most of these variables are statistically significant and partially correlated with growth.

⁴¹ Mancur Olson, "Dictatorship, democracy, and development" *American Political Science Review*, 87 (1993) 567-576.

⁴² Ibid.

⁴³ Eberhard Scholling and Vincenz Timmermann, "Why LDC Growth Rates Differ: Measuring "Unmeasurable" Influences." *World Development* 16 (1988) 1271-1294.

The economic growth theory has been influenced by the work of Robert Solow, the neo-classical model of economic growth refers that the exogenous technological changes introduced in a country leads to economic growth.⁴⁴ Many scholars have criticized Solow's model due to its deterministic view since countries with the same level of technology would have the same rate of growth. The next existing empirical literature on economic growth has developed an endogenous economic growth model. Economic growth theory, based on the endogenous economic growth, which includes government policies that lead to economic growth, such as operation of financial markets, trade policy, and government expenditure, and taxation. Sergio Rebelo develops a model which includes a production function based on a combination of physical and human capital.⁴⁵ Larry Jones and Rodolfo Manuelli discuss the endogenous' model of growth and find that policies which redistribute income to the young, such as public education, may increase growth.⁴⁶ Therefore, their findings suggest that the policies carried out by the governments regarding the promotion of education and human capital can have impacts in the long run economic growth. Easterly and Wetzel also argue that some countries with similar level of investment might generate wide variation in growth rates.⁴⁷ Therefore, they emphasize that it is important to understand the factors affecting the efficiency of investment.⁴⁸

Robert J. Barro points out that, regardless of regime type, the less corrupt the elites are the more likely to advance economic growth.⁴⁹ However, looking at the historical evidence on Africa's economic growth since the 1960 authoritarian regimes have failed to improve economic performance.⁵⁰ The economic stagnation and weakness in sub-Saharan Africa were due to decades of mismanagement, corruption, and a growing debt crisis together with neo-patrimonial policies under authoritarian regimes.⁵¹

⁴⁴ Robert Solow, "A Contribution to the Theory of Economic Growth" *Quarterly Journal of Economics* 70 (February 1956).

⁴⁵ Sergio Rebelo, "Long Run Policy Analysis and Long Run Growth" *Journal of Political Economy* (1987).

⁴⁶ Larry Jones and Rodolfo Manuelli, "Finite Horizons and Growth." Northwestern University (1990).

⁴⁷ William R. Easterly and Deborah L. Wetzel, "Policy Determinants of Growth: Survey of Theory and Evidence" *The World Bank PPR WPY343* (1989).

⁴⁸ Easterly and Wetzel, op. cit.

⁴⁹ Robert J. Barro, *Determinants of economic growth*. (Cambridge, MA: The MIT Press, 1997).

⁵⁰ Young, C. (1998). Africa: An interim balance sheet. In P. Lewis (Ed.), *Africa: Dilemmas of development and change*. Boulder: Westview Press.

⁵¹ Nicholas van de Walle, Economic reform in a democratizing Africa. *Comparative Politics* 32 (1999) 21-41.

According to Martin's empirical findings that were taken into consideration the period between 1967 and 1987, "countries in the sub-Saharan African region that have enhanced the openness of their trade regimes have, on average, tended to perform better in their economic growth than those that have not."⁵² The author expects that economic liberalization policies and privatization will generate a higher level of growth in Africa. However, the process of economic openness in sub-Saharan Africa have focused mainly on rapid liberalization and free market policies, especially through the Structural Adjustment Programs (SAPs), in a continent that its economy is based on the primary sector and very specialized 'monocrop' for export. Another problem related to that is the United States and the European Union's agricultural subsidies that arrive to a total of \$ 1 billion per day and subsequently, part of these subsidized agricultural products are entering in African countries through food aid. Therefore, subsidies in agriculture have a transnational impact affecting the food security of many lives across the African continent.

Robert J. Barro points out that in the case of countries with low levels of democracy the increment of political freedom results in an enhancement of growth.⁵³ Therefore, good governance could stimulate economic growth. His study took into consideration 100 countries from 1960 and 1990, concluding that middle levels of democracy have more chances to grow, the lowest levels come second, and the highest levels come third.⁵⁴

Following this view, Carles Boix and Susan Stokes also argue that economic growth is important in sustaining democracy and contributing to democratic transition.⁵⁵ They mention that in the last decades, countries that have achieved a per capita income of \$12.000, had more chances to democratize than countries with lower per capita incomes. Their study also concludes that economic development had more impact on democratic transition during the end of the World War II than it has had in the last decades.

⁵² Kazi M. Matin, *Openness and economic performance in sub-Saharan Africa: Evidence from time-series cross-country analysis* (World Bank Working Papers 1025(1992) p24.

⁵³ Robert J. Barro, "Democracy and Growth," *Journal of Economic Growth* 1 (March, 1996) 1-27.

⁵⁴ Ibid., p14.

⁵⁵ Carles Boix, and Susan Stokes, "Endogenous Democratization." *World Politics*, 55 (2003) 517-549.

2.4 The Promotion of Prosperity by Democracies

Morton H. Halperin, Joseph T. Siegel, and Michael M. Weinstein argue that poor countries can democratize and these poor democracies can also develop quite effectively.⁵⁶ They say that there is no indication that democracies are less capable of generating growth compared to authoritarian regimes.⁵⁷ Halperin et al. argue that looking at "the experience of developing countries as a whole, those with more representative and pluralistic political systems have typically developed significantly more rapidly, broadly, and consistently than those with closed systems."⁵⁸ The main reason stated by Halperin et al. why developing democracies generate more economic development has to do with three characteristics: shared power, openness, and adaptability.⁵⁹ Shared power means that government's power is limited due to the separation of power. The authors argue that democracies, at every income level, that have established stronger mechanisms of checks and balances are growing more rapidly than those that have not. Democratic governments receive pressure from different interest groups and must consider different demands and make policy decisions that improve society's quality of life.

In addition, democracy also promotes efficiency since investments tend to be directed into more productive activities and there is more confidence in the market system. Moreover, ineffectual and corrupt leaders can always be replaced in the democratic system. Openness also generates transparency, confidence for investors, and enhances leaders' responsiveness. In this regard, the authors argue that any analysis regarding economic growth should not be restricted to elections, but should include institutions since countries that hold elections might have weak institutions and present a lower economic growth compared to democracies with strong political institutions.

Openness also generates transparency, confidence for investors, and enhances leaders' responsiveness. In this regard, it is very important to analyze democratic institutions beyond the country's electoral system in order to examine how strong these institutions are. Therefore, Halperin et al. argue that any analysis regarding economic growth should not be restricted to

⁵⁶ Halperin et al., op. cit.

⁵⁷ Ibid.

⁵⁸ Ibid., p10.

⁵⁹ Ibid.

elections, but should include institutions since countries that hold elections might have weak institutions and present a lower economic growth compared to democracies with strong institutions.⁶⁰

2.5 Consequences of Democracy

Consequences of democracy are a new subfield in the literature of democracy.⁶¹ Consequences of democracy focus on the effect of democracy on external factors that are not democracy in itself, but, instead it refers to the democratic outcomes. For instance, democracy affects economic development, facilitate economic reform, increase social welfare, and promote domestic peace and order. Scholars concerned with the issue of possible causes of democratization tend to look at operational definitions and measure democracy as a way to determine a country's regime type. However, scholars that study the consequences of democracy are more concerned with issues of definition and measurement relating to the dependent variable they are working on (economic growth, nation building, and so on).⁶² For this reason, their research includes empirical indicators such as education spending, infant mortality, GDP per capita, among other variables. Indeed, the first concern is still with the definition of democracy, and essential differentiation that must be made is regarding what democracy is from what democracy generates.

2.6 The African Case

The cases in Africa and the Middle East demonstrate that wealth not only makes the stability of the democratic system possible, but also the stability of the authoritarian one. What makes democracy preferred is that it excels in its economic, social and political performances. Moreover, African cases do not support modernization argument since transitions to democracy have happened in a context of economic stagnation and decline. South Africa, Namibia, Lesotho,

⁶⁰Halperin et al., op. cit.

⁶¹Carbone, op. cit.

⁶² Ibid.

San Tome and Principe, and Madagascar had their first free and fair elections at the beginning of the 1990s, before that they were performing badly economically. Indeed, most of them have grown during their first years of being democracies. Therefore, most of the countries that have embraced democratic transitions after 1989 were previously immersed in economic downturns and positive economic growth took place following regime changes in many parts of the sub-Saharan Africa. Above all, modernization theory cannot explain the flourishing of democratization in sub-Saharan Africa. The argument that says that economic growth leads to democracy is simplifying the reality, especially in the case of Africa's experience with democracy. Thus, the modernization theory has been attacked for its deterministic and teleological view of the world, since it assumes that democracy will necessarily be achieved if a country reaches a high level of economic growth.⁶³

On the other hand, Bratton and van de Walle point out that for political legitimacy in sub-Saharan Africa, democracies do not rely on economic performance as do authoritarian regimes.⁶⁴ Moreover, Bratton and van de Walle argue that the emergence of democracy in Africa after 1989 was not explained by the modernization theory, but, instead by pre-existing regime types. Bratton and van de Walle point out that:

"Democratic governments rarely rely for legitimacy on economic performance to the same extent as authoritarian governments do, but they too must improve material conditions on their watch. In a consolidated democracy, economic grievances are expressed through the ballot box and can lead to the replacement of one elected government by another; in a nonconsolidated democracy, however, the penalty for poor performance may well be the end of democratic rule itself and a return to authoritarianism."⁶⁵

According to Bratton and van de Walle, thirty sub-Saharan countries have done some sort of political liberalization in the early 1990s, however, most of them have not experienced their transition into democracy.⁶⁶ The study of previous regime types was important in order to define their specific characteristics that have contributed, in different ways, to the process of political openness or liberalization and democratization. The table below shows that just 16 countries had

⁶³ Przeworski et al., op. cit., 2000, p97.

⁶⁴ Bratton and van de Walle, op. cit.

⁶⁵ Ibid., p239.

⁶⁶ Michael Bratton and Nicholas van de Walle. *Democratic Experiments in Africa: Political Transitions in Comparative Perspective* (Cambridge: Cambridge University Press, 1996) p120.

begun their democratic transition until 1994. Nevertheless, many countries that had begun their democratization process during the 1990s have had periods of interruption or failed to conclude it."

Transition outcomes:

Political Protests →	Political Liberalization →	Free and fair elections
28 countries had	28 countries had	11 countries had / 17 countries had not
14 countries had not	12 countries had / 2 countries had not	5 countries had / 9 countries had not
Total 28 Countries had	Total 40 Countries had	Total 16 Countries had

Source: Bratton and van de Walle⁶⁸

Two countries had a precluded transition, meaning that the transition has not gone further. Civil wars have made the environment so insecure that leaders were more worried about the conflict than the political changes.⁶⁹ Twelve countries had their transition blocked when incumbent elites avoided elections.⁷⁰ Other twelve countries had a flawed transition, in which incumbents accepted elections, but they manipulated their procedures or results.⁷¹ Regarding the democratic transition, sixteen countries have begun this process, meaning that they have experienced free and fair elections.⁷² As a consequence, transition phase had different outcomes, such as authoritarian, democratic, and mixed regimes.

Scholars that focused their analysis on cross-national research design, including many countries from different regions, might have lost some validity in the sense that regarding African cases, regime types and economic growth might not follow the same pattern compared to other regions. Sub-Saharan African countries have a common legacy of colonization and the unsuccessful establishment of democracy in the 1960s, except for Botswana, the Gambia, and Mauritius. Most

⁶⁷Central African Republic, Congo, Guinea-Bissau, Malawi, Mozambique, Madagascar, Niger, Seychelles, and Zambia (Source: Freedom House).

⁶⁸Bratton and van de Walle, op. Cit., p117.

⁶⁹Precluded transitions: Liberia and Sudan (n=2)

"Blocked transitions: Angola, Burundi, Chad, Ethiopia, Guinea, Nigeria, Rwanda, Sierra Leone, Somalia, Tanzania, Uganda, and Zaire (Democratic Republic of Congo) (n=12)

⁷⁰Flawed transition: Burkina Faso, Cameroon, Comoros, Cote d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Ghana, Kenya, Mauritania, Swaziland, and Togo (n=12)

"Democratic transition: Benin, Cape Verde, Central African Republic, Congo, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mali, Mozambique, Namibia, Niger, Sao Tome, Seychelles, South Africa, Zambia (n=16)

of the African countries have also introduced a Presidential system in which leaders tended to centralize the power of the state and control this power in their own hands. As a legacy of colonialism, neo-patrimonial policies were strengthened. Therefore, autocracies managed to sustain their regimes through patron-client networks. In many African countries, patrimonialism strategies were established as a tool to benefit specific groups, especially when an ethnic group was considered the same as the political elites. In this case, ethnicity was manipulated by leaders in order to receive enough support to protect their political and economic power. In this context, Africa's rich natural resources were used to promote divisions among ethnic groups that have for centuries been living together in harmony. The emergence of civil wars in many sub-Saharan African countries has been propitiated by unequal access to resources and political opportunities.⁷³ Indeed, the politicization of ethnicity increased the evidence of social, political, and economic differences among ethnic groups.

In addition, many years of dictatorship rule across sub-Saharan Africa puts in evidence the increment of poverty levels and the lack of measures to control the increment of the HIV/AIDS cases, which has become a pandemic and strongly related to human security. Agricultural modernization has also failed in many African countries, mainly because politicians did not promote investments in infrastructures and agricultural mechanization. Moreover, political rights and civil liberties are still aspirations for Africans. These issues demonstrate some of the unique aspects of African social and political institutions.

The analysis of this study will principally address the proposition that the maintenance and stability of democracy are the main determinants of economic growth. Since sub-Saharan Africa is still a democratizing continent, measurement of democracy that captures its levels of freedom and political rights might be more accurate. This research will focus on the following statement: early maintaining democracy increases economic growth. Therefore, regime dynamics do account for different rates of growth in Africa and democracy also does a better job in generating growth compared to authoritarian regimes. The relevance of the study of democracy and

⁷³ Judith Vorrath and Lutz Krebs, "Democratization and Conflict in ethnically Divided Societies," *Living Reviews in Democracy*. (March 2009) Available at http://www.humansecuritygateway.com/documents/ETH_Democratisation_Conflict_EthnicallyDividedSocieties.pdf

economic growth in sub-Saharan Africa is due to the fact that much of the research has not approached sub-Saharan countries through a single region study. Halperin et al. focus their analysis on whether democracy usually generates more rapid and consistent improvements in the well being of the society than do authoritarian regimes.⁷⁴ They argue that democracy, being established in a low income country, has superior developmental performance when compared to non-democracies.⁷⁵ They look at socio-economic factors that are important to sustaining democracy. This analysis does not centre its attention on social improvements, but it does look at economic aspects that are the outcomes of a stable democracy. In this case, democracy leads to economic growth.

Furthermore, sub-Saharan countries are an interesting focus of analysis since many countries are still doing their transition to democracy and there are a predominance of non-democratic regimes and an emergence of the so-called hybrid regimes. Recently, there is the emergence of a considerable interest in understanding the spread of hybrid regimes in Africa. Hybrid regimes are represented by partial types of democracy and autocracy that are consolidating as semi-democracies and autocracies. Many scholars are investigating this phenomenon, such as Diamond and Schedler, since many countries in Africa are not moving forward towards democracy, but, instead they are consolidating without being fully democratic. In this case, different indices of democracy that are based on different indicators help scholars to measure regime type. For instance, Freedom House defines partially free countries that are close to the notion of hybrid regimes. On the other side, the overall stagnation and economic decline compared to other regions of the world. Hybrid regimes might be consolidating instead of improving and becoming more democratic, the study of regime types and economic growth must be sensitive enough to include these categories in its' analysis, since different levels of democracy and autocracy might have different influences on economic growth in sub-Saharan Africa.

⁷⁴ Halperin et al., op. cit.

⁷⁵ Ibid.

3. CONCEPTUALIZING DEMOCRACY AND ECONOMIC GROWTH

In order to differentiate democracy from authoritarian regime it is important establish the meaning of democracy. According to Larry Diamond "we are still far from consensus on what *constitutes* democracy."⁷⁶ As a result, there are many definitions about its content. Moreover, the third wave of democratization has also intensified the lack of agreement considering the definition of democracy since most of the newly established democratic states have not made important improvements beyond their electoral systems.⁷⁷ In many of these new democracies, rule of law and civil rights are mentioned in their constitutions, however, they are not enforced and accomplished by their governments. An interesting pattern is that African rulers or the powerful men do not avoid democracy, but, instead they use the democratic machine to legitimate their governments meanwhile they enlarge their personal power at the expense of institutions that should exercise checks on them.⁷⁸ In this regard, the common denominator of democratic governments is that leaders hold elections. Nevertheless, elections are an ingredient of democracy, but it does not constitute democracy in itself, since some countries celebrate regular elections meanwhile establishing an autocratic government.⁷⁹ For instance, in many African countries, authoritarian regimes are behind the electoral façades using democratic procedures but having authoritarian practices. Mikael Wigell argues that many cases of transition from authoritarian regime to democracy confirm that it does not necessarily follow a linear fashion towards liberal democracy or back into autocracy." Many countries in Africa illustrate this argument since they tend to be consolidating as hybrid regimes instead of moving to democratic regimes.

⁷⁶Larry Diamond, "Thinking about Hybrid *Regimes*," *Journal of Democracy* 13/2 (2002) 21-35, p21.

⁷⁷Ibid.

⁷⁸Richard Joseph, "Challenges of a "Frontier" Region," *Journal of Democracy* 19/2 (April 2008) 94-108.

⁷⁹Andreas Schedler (ed.), *Electoral Authoritarianism: the Dynamics of Unfree Competition* (Boulder, Colo.: Rienner Publishers (2006).

⁸⁰Mikael Wigell, "Mapping 'Hybrid Regimes': Regime Types and Concepts in comparative Politics," *Democratization* 15/2 (2008) 230 - 250.

As a consequence, many authors tend to conceptualize these undemocratic regimes using different terms, such as illiberal democracies, hybrid regimes, and pseudo-democracies.⁸¹ Looking into this aspect, there are "varieties of democracy" and it seems that some of them are improving in a gradualist manner.⁸² Participation through free and fair elections leads to a process of rule of law with the constraints on government's power. According to the Freedom House, different degrees of civil liberties and political rights account principally for the 'varieties of democracy.'⁸³

Going further, the primarily requisite and the necessary requisite for democracy is the electoral system, especially in new democratizing societies, elections contribute and they are an essential ingredient to democratization. In these new democracies, elections might account for much more than a procedural mechanism. According to Staffan Lindberg, election generates a broader impact on democracy than is currently taken into consideration." For him, the establishment of multi-party elections engenders liberalization and the repetitiveness of electoral activities leads to the transformation and improvement in the democratic system.⁸⁵ Lindberg also points out that when a government breaks down, it usually happens just after the first election and after celebrating continuous second and third elections, regimes are more likely to survive." His conclusion is that a sequence of elections contributes to the democratization process, and more specifically it forges civil liberties and political rights in a country. Therefore, a free and fair election is the precondition and an indispensable requisite for democracy. When a system fails, it is the electoral system that falls first, in some cases election is there but only on the surface.⁸⁷

⁸¹Fareed Zakaria, "The Rise of Illiberal Democracy," *Foreign Affairs* 76/6 (November-December 1997) 22-24. Diamond, op. cit.

Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, "Introduction: What makes for Democracy?" in *Politics in Developing Countries: Comparing Experiences with Democracy*, ed. Larry Diamond, Juan J. Linz, and Seymour Martin Lipset. Boulder, Colynne Rienner (1995) 1-66.

⁸³ Freedom House. Available at: <http://www.freedomhouse.org/template.cfm?page=1> (November 2009).

⁸⁴ Staffan Lindberg, *Democracy and Elections in Africa* (Baltimore: The Johns Hopkins University Press, 2006).

⁸⁵ Ibid.

⁸⁶ Ibid.

⁸⁷ Schedler, op. cit.

Election is the primary institution that connects citizens to the government, especially given them in Africa that party systems are very weak and lacks the institutionalization and the same happens with the civil society. Thus, election constitutes the basically indispensable function of democracy. In this regard, electoral system is the primary institution that accounts for the process of democratization and democratic consolidation in Africa. As Michael Bratton and Daniel Posner argue "while you can have elections without democracy, you cannot have democracy without elections."⁸⁸ Indeed, it is in the electoral arena that the party system gets institutionalized.

Until the third wave of democratization, authors have analyzed democracy taking mainly into consideration European and English speaking countries. As a consequence, many scholars have applied a minimalist conceptualization of democracy that was useful to classify these Western countries. Huntington argues that an institutional definition of democracy provides a better analytical and empirical accuracy. His conceptualization is based on a procedural definition of democracy.⁸⁹ For Huntington, "democracy has a useful meaning only when it is defined in institutional terms."⁹⁰ Institutional definition of democracy means the selection of leaders through competitive elections. On the other hand, according to Larry Diamond, authors that use a minimalist definition of democracy may commit the fallacy of electoralism, putting too much emphasis on elections over other dimensions of democracy.⁹¹ For Diamond, civil liberties, that are related to an independent media, freedom of belief, speech, rights of expression, organization, and assembly, are the major components of democracy.⁹² The reason why he said that is because civil liberties varies in places that hold free and fair elections in a multiparty basis, especially with the emergence of democracies that do not follow Western pattern.

"Michael Bratton and Daniel N. Posner, "A First Look at Second Elections in Africa, with illustrations from Zambia." In R Joseph (ed). *State, Conflict and Democracy in Africa* (Boulder: Lynne Rienner, 1999) p379.

⁸⁹Huntington, op. cit.

⁹⁰Ibid., p15.

⁹¹ Larry Diamond, "Defining and Developing Democracy," *Developing Democracy: Towards Consolidation* (Baltimore: Johns Hopkins Press, 1999), pp.1-23.

⁹²Ibid.

Therefore, a step further from institutional democracy must be taken in order to avoid the "fallacy of electoralism." Civil liberties and political rights must be included beyond the procedural definition of democracy in order to take into consideration the cases that fall in the borderline or grey zone. Robert Dahl's conceptualization of democracy includes two dimensions: political contestation and political participation, including civil liberties.⁹³ Civil liberties are an important attribute to consider because it permits going beyond the electoral system. It also opens the possibility to create a model taking into consideration Dahl's two dimensions that it is possible to distinguish among different levels of democracy and autocracy instead of defining democracy and non-democracy in a dichotomous fashion, leading to a model in which one size fits all. Dahl's definition of democracy is based on two political dimensions, one is formed by public contestation and the second dimension is represented by participation.⁹⁴ The two dimensions exist in an environment of civil liberties.⁹⁵ This definition is important because it captures the main elements of democracy at the same time that it preserves the parsimony of the concept. It takes into consideration the formal institutionalization of the rule of law, represented by the celebration of free and fair elections including a set of freedoms that permit citizens to exercise their control over decision makers. For instance, Dahl's dimension of participation is important in order to analyze one party system in South Africa and Botswana. Furthermore, Dahl's definition of democracy is important since it permits to do an empirical measurement.

Above all, economic growth must be analyzed over time in order to see its sustainability, stagnation, and economic decay. Different types of democratic and authoritarian regimes tend to generate different types of economic growth. The idea regarding regime types and economic growth is that economic growth in democratic systems is more stable. As Halperin et al. mention investments and market confident is generated by an environment of transparency and political and economic stability.⁹⁶ Therefore, it takes time for a democracy to be considered stable, thus, its economic development is also happening in a late stage. For example, South Africa is considered democratic since 1994, however, its economic growth started in 2003.

⁹³ Robert Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale, 1971).

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Halperin et al., op. cit.

4. MEASURING REGIME DYNAMICS AND LEVELS OF DEMOCRACY

As it was stated before, the levels of democracy and autocracy will be empirically classified according to the **Freedom House Index**. I constructed an aggregate Freedom House Index by summing up the components of civil liberties and political rights and then dividing by two. Freedom House Index has a scale ranging between **1** and **7** (where **1** represents the more democratic and **7** the more authoritarian countries) on two dimensions: political rights and civil liberties. Moreover, I reversed the Freedom House scale in order to facilitate the measurement of the levels of democracy. As a result, the more authoritarian countries are ranked **1** and the more democratic is equal **7**. This measurement of levels of democracy is very important especially with the emergence of the grey zone or hybrid regimes in sub-Saharan Africa. Therefore, dichotomous classification of democracy and autocracy is viewed as ideal types. On the other hand, ordinal measures are important to capture democratic levels. Nevertheless, the categorical classifications from Freedom House, such as not free, partial free and free, are also important in order to categorize countries according to their regime dynamics and levels of democracy. Regime dynamics' categories were created in order to consider how the process of democratization and democratic interruption affect economic growth.

According to Freedom House, political rights "enable people to participate freely in the political process, including through the right to vote and stand for public office, and elected representatives who have a decisive impact on policies and are accountable to the electorate. Civil liberties allow for the freedom of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference coming from the state." This way of measuring democracy takes into consideration the levels of democracy and autocracy. Political rights include free and fair competition for political office, the right to vote, the presence of multiple political parties, and decentralized political power.⁹⁸ The civil liberties dimension refers to freedoms of speech and assembly, free press, and open public discussion.⁹⁹

⁹⁷ Freedom House, *op. cit.*

⁹⁸ *Ibid.*

⁹⁹ *Ibid.*

Economic growth is measured as a change in the gross domestic product per capita. Economic growth is defined as the increase in the aggregate level of income in a given period of time, usually a year. It is measured by growth rate that is the percentage of change in output from last year. The data regarding growth rates for GDP expressed in billions of 2005 dollars between 1988 and 2008 are found at the US Department of Agriculture webpage.¹

In the study of regime dynamics and economic growth some aspects regarding timing and regime stability are important to consider, since countries that are maintaining their regime status being it democracy or authoritarian regimes should be growing more than the ones that have unstable regimes or have moments of regime interruption.

The main reason why using regime dynamics' classification is that democratic interruption might have a different score in its levels of economic growth compared to countries that have maintained their authoritarian regimes. Maintaining authoritarian regime might have higher levels of economic growth since they have consolidated their regime and have a stable political system, even if they are not democratic. This might be the case of China or in the case of sub-Saharan Africa, oil rich countries may be sustaining their autocracies despite ethnic conflicts and the dispute over natural resources and control by the militias as the case of Nigeria in the Niger Delta. For instance, this classification also explains interesting cases, such as the Equatorial Guinea. This country is an autocracy that has been maintaining its system since its colonial independence and it also has high levels of economic growth. It might be due to the maintenance of non-democratic regime on the long term, sustained by its oil revenues that is the base of the Equatorial Guinea's economy.

As stated before, the impact of regime dynamics and levels of democracy on economic growth will be tested on 47 sub-Saharan African countries over the period of 20 years, between 1988 and 2008. The research questions are the following:

1 — Do regime dynamics affect economic growth in sub-Saharan Africa?

¹⁽⁹⁾ United States Department of Agriculture. Available at:
www.ers.usda.gov/Data/Macroeco_110M_ics/Data/ProjectedRealGDPValues.xls

2 — Do different levels of democracy and autocracy lead to different levels of economic growth in sub-Saharan Africa?

In order to answer the above questions, the following hypothesis will be tested:

- In the case of autocracies, countries are more prone to have economic vulnerability and strong fluctuations over time;
- The level of democracy affects growth;
- Economic growth is a matter of time, as a result, early democracies have high levels of growth compared to late democracies (late process of democratization);
- Democracies are better at sustaining growth over long periods of time than are authoritarian regimes.

5. REGIME DYNAMICS

The tables 1 and 2 represent the number of countries according to the classifications of regime dynamics and there is a list of countries ranking according to the following categorizations: maintaining autocracy (main_auto), liberalizing autocracy (libe_auto), early maintaining democracy (ear main), late maintaining democracies (lat main), early interruption democracy (ear_inte), and late interruption democracy (lat_inte). The list represents 47 sub-Saharan countries with the exception of Somalia due to the lack of accurate data. The table 3 includes the average of economic growth for each country during the 20 years.

Table 1: Number of Countries according to the Classification of Regime Dynamics

Regime dynamics

earinte	11
ear main	8
latinte	3
lat main	2
main auto	14
libe auto	9
Total	47

Table 2: List of Countries Ranked according to the Regime Dynamics

Regime dynamics	Countries
main_auto (autocracy maintaining)	Angola, Chad, Congo Kinshasa, Equatorial Guinea, Eritrea, Gabon, Guinea, Nigeria, Rwanda, Sudan, Swaziland, Togo, Burkina Faso, Ivory Coast
libe_auto (liberalizing autocracy)	Zimbabwe, Cameroon, Ethiopia, the Gambia, Mauritania, Tanzania, Uganda, Zambia, Djibouti
ear_main (early maintaining democracy)	Benin, Botswana, Cape Verde, Ghana, Malawi, Mali, Mauritius, Mozambique, Namibia, Seychelles, South Africa
earinte (early democracy interruption)	Central African Republic, Congo Brazzaville, Guinea-Bissau, Lesotho, Madagascar, Niger, San Tome and Principe, Comoros
lat_main (late maintaining democracy)	Burundi, Senegal
lat_inte (late democracy interruption)	Liberia, Sierra Leone, Kenya

Table 3: Average of Economic Growth by Regime Dynamics and sub-Saharan Countries between 1988 and 2008

Countries	Regime dynamics					
	ear_inte	ear_main	lat_inte	lat_main	main_auto	libe_auto
	Growth	Growth	Growth	Growth	Growth	Growth
	Mean	Mean	Mean	Mean	Mean	Mean
Angola					4.90	
Benin		4.45				
Botswana		5.42				
Burkina Faso					4.43	
Burundi				0.44		
Cameroon						1.97
Cape Verde		5.66				
Central African Republic	1.04					
Chad					5.23	
Comoros	1.03					
Congo Brazzaville	-0.50					
Congo Kinshasa					3.13	
Djibouti						2.08
Equatorial Guinea					14.29	
Eritrea					2.18	
Ethiopia						4.69
Gabon					2.58	
Gambia						3.75
Ghana		4.65				
Guinea					3.74	
Guinea-Bissau	1.37					
Ivory Coast					1.46	

Kenya			3.89		
Lesotho	3.73				
Liberia			-0.12		
Madagascar	2.39				
Malawi		3.55			
Mali		4.61			
Mauritania					5.15
Mauritius		4.90			
Mozambique		6.71			
Namibia		4.03			
Niger	2.50				
Nigeria					4.10
Rwanda					2.10
Sao Tome & Principe	2.77				
Senegal				3.82	
Seychelles		3.09			
Sierra Leone			0.48		
South Africa		2.49			
Sudan					6.90
Swaziland					3.30
Tanzania					4.46
Togo					2.32
Uganda					6.46
Zambia					2.11
Zimbabwe					-1.04

6. REGIME DYNAMICS AND ECONOMIC GROWTH IN SUB-SAHARAN AFRICA

The empirical research findings and its analysis are illustrated in this chapter. The quantitative analysis centered on the overall economic performance regarding the six categories developed in this study. The categories are associated with democracy and autocracy since they are the dominant typologies in the current political science literature. However, the empirical analysis will be sensitive on considering different levels of democratic and autocratic regimes based on regime change, stability and maturity. This classification is called regime dynamics, aiming to be sensitive on how long a country has been democratic or autocratic and whether it has had a regime change.

This research investigates the economic performance of democratic and non-democratic regimes in 47 sub-Saharan African countries in the period from 1988 to 2008. Two quantitative techniques will be employed, Ordinary Least Square regression and Time Series Analysis. This study will also control for variables such as foreign domestic investment, official development assistance and official aid, and total debt service. The data regarding those variables were gathered from the World Bank - World Development Indicators.¹⁰¹ The growth rates data for GDP (in billions of 2005 dollars) between 1988 and 2008 are found on the US Department of Agriculture webpage.¹⁰² Since the collection of economic data taken over time has some form of random variation, a technique of smoothing or moving average is used in order to reduce the random variation effect.

Gizachew Tiruneh has included many variables, such as economic development, domestic investment, economic openness, privatization, external debt, foreign aid, population growth, ethnic fractionalization, and political stability in order to see the impact of these variables on economic growth.¹⁰³ Many of the studies related to economic growth have arrived at different

¹⁰¹ World Development Indicators. *The World Bank*. Available at:

<http://ddpwt.worldbank.org/ext/DDPWT/member.do?method=getMembers> (November 2009)

¹⁰² United States Department of Agriculture, Available at:

www.ers.usda.gov/Data/Macroeconomics/Data/ProjectedRealGDPValues.xls

¹⁰³ Gizachew Tiruneh, "Regime Type and Economic Growth in Africa: A Cross National Analysis," *The Social Science Journal* 43 (2006) 3 - 18.

results due to the differences in the quantitative techniques and the data they have used. For instance, Tiruneh uses Ordinary Least Squares estimators and he found that the influence of regime type has some but not a strong impact on African economic growth.¹⁰⁴ According to his outcome, domestic investment showed itself to be statistically significant. Domestic investments may be related to the creation of jobs, improvements in infrastructure, and more growth opportunities for business. He also found that the education variable has no effect on economic growth in Africa. One reason for these results could be the lack of job opportunity and few numbers of skilled people.

The analysis correlating the variables of foreign domestic investment, official development assistance and official aid, and total debt service with economic growth demonstrates how strong they are compared to regime dynamics. The findings show that early and late democracies are more strongly correlated with economic growth than the other variables of foreign domestic investment, official development assistance and official aid, and total debt service (see table 5). On the other hand, when looking at autocracies maintaining their status and liberalizing autocracies, they are negatively correlated with economic growth (see table 4). Thus, it means that autocracies maintaining and liberalizing autocracies do not generate economic growth but, instead they have a reverse effect on growth, generating economic stagnation or decline. Foreign domestic investment, official development assistance and official aid have stronger impacts on African economic growth compared to autocracies and liberalizing autocracies. It is important to explain that in the regression the unit of analysis is the categories of regime dynamics for each year. For instance, tables 4 and 5 show N equal 407 and 200 respectively, the later means that 10 countries are categorized as early and late maintaining democracies multiplied by the period of 20 years considered in this analysis. In the case of table 4 it is noted that the sample size is equal 407 which is less than 460 (8 early maintaining democracies + 2 late maintaining democracies

¹⁰⁴ Ibid.

multiplied by 20) this is resulted due to the lack of valid data for some countries during some years.

Table 4: Correlations

CORRELATIONS		Annual Growth Rates	Foreign Domestic Investment (current US\$)	Official Development Assistance and Official Aid (current US\$)	Total Debt Service (Percentage of goods, services and income)	Autocracy & Liberalizing Autocracy
Pearson Correlation	Annual Growth Rates	1.000	0.220	0.235	-0.086	-0.189
	Foreign Domestic Investment (current US\$)	0.220	1.000	0.281	-0.131	-0.212
	Official Development Assistance and Official Aid (current US\$)	0.235	0.281	1.000	0.024	-0.205
	Total Debt Service (Percentage of goods, services and income)	-0.086	-0.131	0.024	1.000	0.094
	Autocracy & Liberalizing Autocracy	-0.189	-0.212	-0.205	0.094	1.000
Sig. (Unilateral)	Annual Growth Rates	-	0.000	0.000	0.042	0.000
	Foreign Domestic Investment (current US\$)	0.000	-	0.000	0.004	0.000
	Official Development Assistance and Official Aid (current US\$)	0.000	0.000	-	0.313	0.000
	Total Debt Service (Percentage of goods, services and income)	0.042	0.004	0.313	-	0.029
	Autocracy & Liberalizing Autocracy	0.000	0.000	0.000	0.029	-
N	Annual Growth Rates	407	407	407	407	407
	Foreign Domestic Investment (current US\$)	407	407	407	407	407
	Official Development Assistance and Official Aid (current US\$)	407	407	407	407	407
	Total Debt Service (Percentage of goods, services and income)	407	407	407	407	407
	Autocracy & Liberalizing Autocracy	407	407	407	407	407

Table 5: Correlations

CORRELATIONS		Annual Growth Rates	Foreign Domestic Investment (current US\$)	Official Development Assistance and Official Aid (current US\$)	Total Debt Service (Percentage of goods, services and income)	Early & Late Maintaining Democracy
Pearson Correlation	Annual Growth Rates	1.000	0.026	0.199	-0.343	0.411
	Foreign Domestic Investment (current US\$)	-0.026	1.000	0.095	-0.074	0.100
	Official Development Assistance and Official Aid (current US\$)	0.199	0.095	1.000	0.094	0.008
	Total Debt Service (Percentage of goods, services and income)	-0.343	-0.074	0.094	1.000	-0.526
	Early and Late Maintaining Democracy	0.411	0.100	0.008	-0.526	1.000
Sig. (Unilateral)	Annual Growth Rates	-	0.358	0.002	0.000	0.000
	Foreign Domestic Investment (current US\$)	0.358	-	0.090	0.148	0.080
	Official Development Assistance and Official Aid (current US\$)	0.002	0.090	-	0.094	0.454
	Total Debt Service (Percentage of goods, services and income)	0.000	0.148	0.094	-	0.000
	Early and Late Maintaining Democracy	0.000	0.080	0.454	0.000	-
N	Annual Growth Rates	200	200	200	200	200
	Foreign Domestic Investment (current US\$)	200	200	200	200	200
	Official Development Assistance and Official Aid (current US\$)	200	200	200	200	200
	Total Debt Service (Percentage of goods, services and income)	200	200	200	200	200
	Early and Late Maintaining Democracy	200	200	200	200	200

It is well known that African countries have been performing not very well economically compared to other countries. However, exceptions are represented by Botswana and Mauritius. These two countries represent democratic and economic success in Africa. Before the end of the Cold War three countries were considered democracies: Botswana, Mauritius, and Zimbabwe. Botswana had its first free and fair elections in 1969, Mauritius in 1982, and Zimbabwe held it in

1980. However, the only maintaining democracies were Botswana and Mauritius. These two countries have also sustained their levels of economic growth over time.

Many scholars have also compared the African context to other regions in order to identify the causes of small growth among African economies in relation to other regions of the world. Scholars, such as Jeffrey D. Sachs and Andrew M. Warner, have analyzed the slow rates of growth in the African continent and found that poor economic policies have played an important role in generating slow growth.¹⁰⁵ Among these economic policies, the lack of openness to the international markets is one of the most important factors contributing to Africa's small growth. They also argue that geographical factors such as the lack of access to the sea and a tropical climate have also contributed to this situation.¹⁰⁶ Other researchers also argue that the challenges to develop Africa's economy have to do with its colonial history, ethnic and tribal divisions, climate and geography. Therefore, these authors argue that these aspects contribute to explaining Africa's slow growth during the past 30 years compared to other regions of the world.

Sachs and Warner suggest that African countries have been performing worse than other developing countries on many economic policy variables, such as openness to international trade, average annual inflation, and national saving rates.¹⁰⁷ These negative economic policies are also affected by a series of natural disadvantages, such as a larger fraction of landlocked countries, a higher fraction of area in tropical latitudes (with implications for disease, soil quality, and other climatic factors), higher dependence on natural resources, and greater ethno linguistic fractionalization. Landlocked countries, in particular, face very high costs of shipping, since they must pay road transport costs across at least one international boundary in addition to shipment costs.

Openness encourages greater efficiency in the allocation of the economy's scarce resources, and also promotes market competition and thus helps reduce monopolies. Moreover, trade is often a

¹⁰⁵ Jeffrey D. Sachs and Andrew M. Warner, "Sources of Slow Growth in African Economies" *Journal of African Economies* 6(3) (1996) 335-376.

¹⁰⁶ Ibid.

¹⁰⁷ Ibid.

vehicle for the importation of technical innovations and improvements, which serves to raise total factor productivity in the entire economy, permitting technological diffusion from abroad and increasing the national efficiency and competitiveness. They found that ethnic diversity does not enter the growth regressions significantly. According to their results if ethnic diversity matters, it does so by causing poorer policies. However, when controlling the policies, ethno-linguistic fractionalisation has no further effect on growth. In bivariate regressions, ethnic diversity is significantly correlated with openness and institutional quality. Specifically, more ethnically diverse countries were less likely to be open during the study period between 1965 and 90 and tended to have poorer institutions. ¹⁰⁸

Findings 1: Democracy leads to economic growth

The first important analysis to consider in this research has to do with whether democracy leads to economic growth. Therefore, it is necessary to analyze the average levels of economic growth before and after a country has established its' first free and fair elections. I selected the countries that are listed as early maintaining democracy (ear main) and had their first free and fair elections in the beginning of the 1990s. The countries are Benin, Cape Verde, Malawi, Mali, Mozambique, Seychelles, and South Africa. The findings demonstrate that the average levels of economic growth are higher after countries have their free and fair elections and maintain their democratic status. The analysis in figure 1 illustrates the case of Benin and Cape Verde. Both countries had their first free and fair elections in 1991 and they have maintained their democratic status. These two countries have also increased their annual growth rates after **1991** (see figure 1). The graph in figure 2 also shows the same pattern for Mali, Mozambique, Malawi, and South Africa. Mali had its' first free and fair election in 1992, Seychelles in 1993, Malawi, Mozambique, and South Africa in 1994. These countries, except for Seychelles, have increased their annual growth rates after 1993. Mozambique presents the highest increment of 2.3 average growth rates between 1988 and 1992 to almost 8.0 between 1993 and 1997.

¹⁰⁸ Ibid.

Figure 1: Average Levels of Economic Growth before and after First Free and Fair Election for Benin and Cape Verde

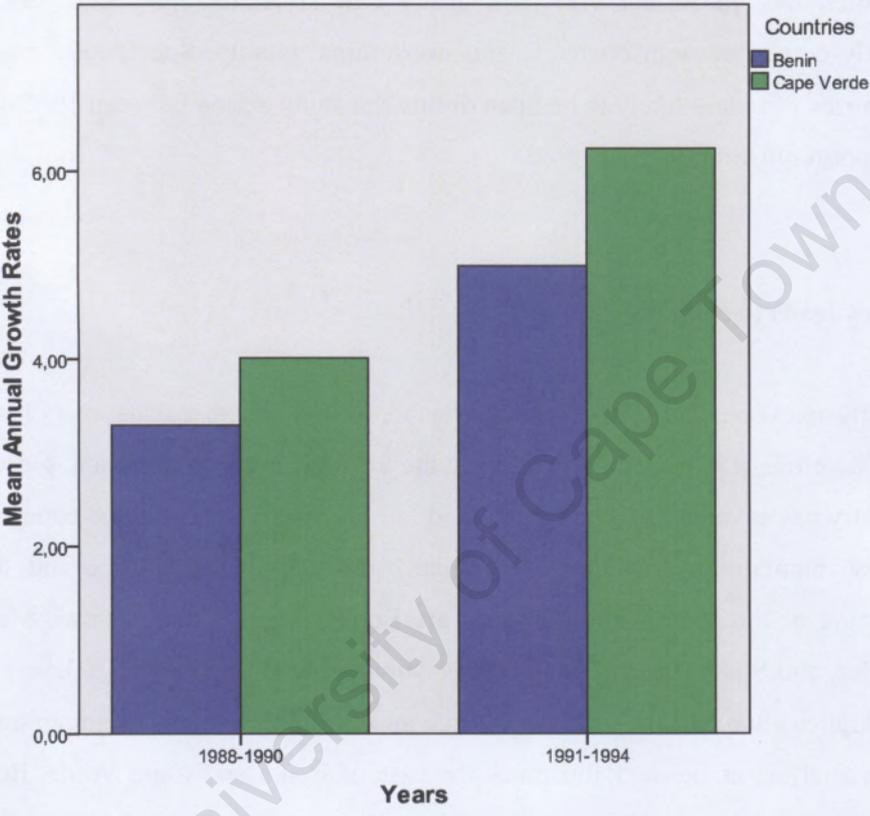


Figure 2: Average Levels of Economic Growth before and after First Free and Fair Election for Malawi, Mali, Mozambique, Seychelles, and South Africa

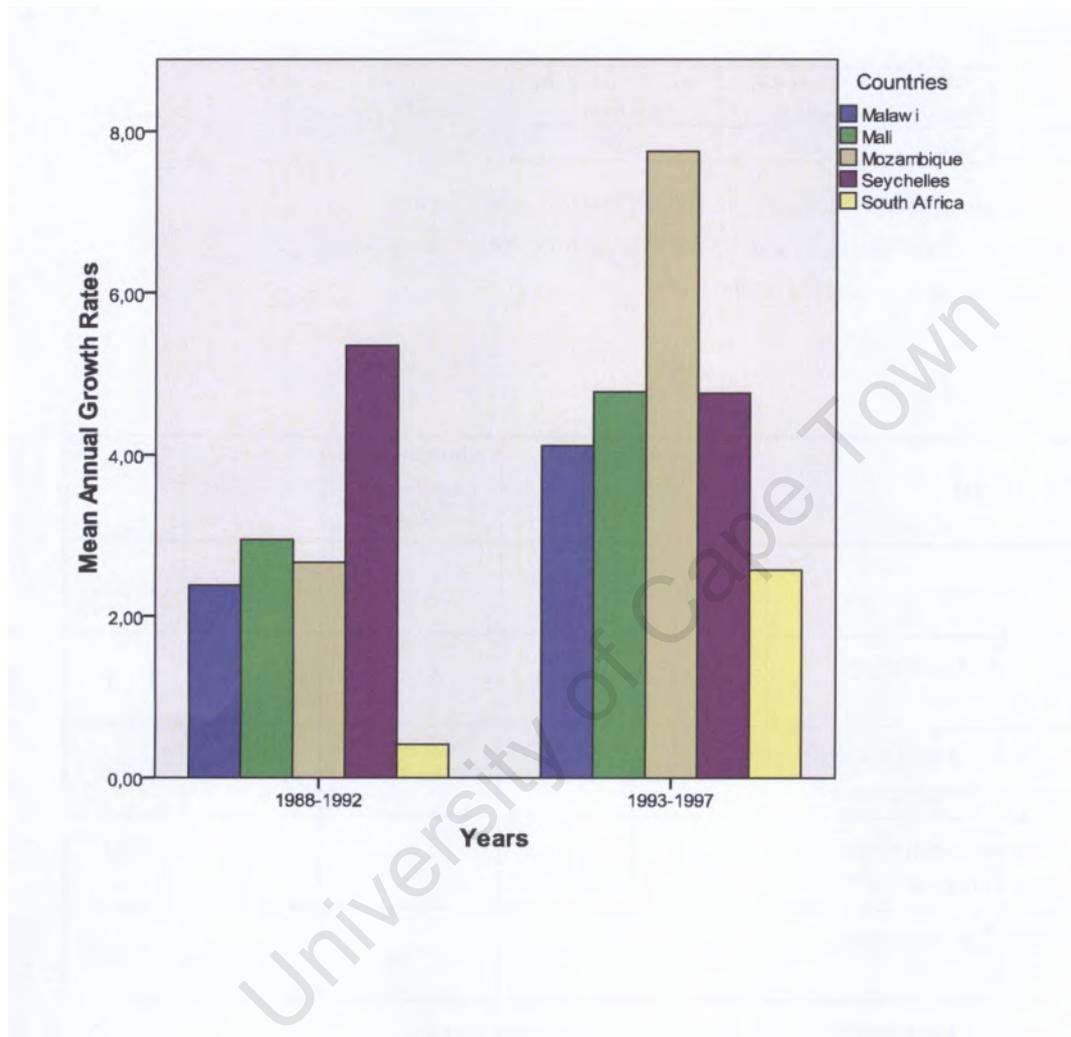


Table 6: Model Summary and Coefficients

Model Summary

Model	R Square	Adjusted R Square	Std. Error of the Estimate
	.330 ^a	.103	2.982

a. Predictors: (Constant), foreign domestic investment (current U S\$), regime type, total debt service (percentage of goods, services, and income), official development assistance and official aid (current US\$).

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.882	0.239		12.038	0.000
Early and Late Maintaining Democracy	1.169	0.259	0.175	4.517	0.000
Total debt service (Percentage of goods, services and income)	-0.035	0.009	-0.151	-3.892	0.000
Official development assistance and official aid (current US\$)	1.433-9	0.000	0.218	5.527	0.000
Foreign domestic investment (current US\$)	0.000	0.000	0.065	1.650	0.099

a. Dependent Variable: AGR (average growth rates) smoothing average technique

The empirical results displayed in the table above suggests that regime dynamics, more specifically, early and late maintaining democracies have a statistically significant effect on economic growth. This result indicates that democracy does perform better than authoritarian regimes. Foreign domestic investment (**FDI**) is not statistically significant. Extraction of Africa's natural resources accounts for the spread of **FDI** flows across the continent. The 24 African countries classified by the World Bank as oil and mineral dependent have, on average, accounted

for close to three quarters of annual FDI flows over the past two decades. As a consequence, FDI goes particularly in the strategic resources' infrastructure, but a small portion of its earnings is reinvested. Total debt service is statistically significant and its' negative sign is in the expected direction, Standardized Coefficient Beta is — 0.151. Therefore, highly indebted countries tend to have less economic growth compared to the ones that are less in debt. It might be due the fact that countries that are highly in debt need to spend a vast amount of their revenues in order to pay back the credits. The variable of official development assistance and official aid is also statistically significant, having some effects on Africa's economic growth.

The study of regime type and economic growth is still a sensitive topic in sub-Saharan Africa, since many non-democratic regimes are still in power. Moreover, many donors do not differentiate between democratic and authoritarian regimes when giving aid to African countries.¹⁰⁹ As a consequence, these regimes are maintaining their status since there is not a strong position against them by the international community. As some of the findings of this research demonstrate, authoritarian regimes are actually growing, however, their economy is based on the exploration of natural resources, such as the production of oil. Other studies on the topic of economic growth and regime types, such as Halperin et al., show that authoritarian regimes may grow at the same level as democracies.¹¹⁰ However, they grow without improving material and social welfare and generating economic development.

On the other hand, democracies are more sensitive in creating prosperity and improving the human development aspects. Moreover, democracy excels because it depends on the support of ordinary citizens that make demands and participate in the political game. It also excels because it generates a set of rules, transparency, and accountability that increase people's democratic support. "

"Joseph Siegle, "Democratic Divergence in Africa: Lessons and Implications for Aid" Workshop: Africa Beyond Aid (April 3-4, 2006).

¹¹⁰ Halperin et al., op. cit.

"Michael Bratton and Eric C. Chang, "State Building and Democratization in Sub-Saharan Africa: Forwards, Backwards, or Together?" *Comparative Political Studies* 39/9 (2006)1059-1083.

Findings 2: Overall, democracies performance better when controlling oil producers

The results of the empirical analysis presented in this chapter shows that democracies and autocracies have different effects on economic performances. The cross national findings, through the aggregate average of annual growth between 1988 and 2008 (see figure 3), show higher growth for autocracies (5.0) compared to democracies that have started their process of democratization until 1997, represented by the early maintaining democracies (4.8). However, autocracies that have maintained their status and early maintaining democracies are growing more than liberalizing authoritarian regimes and late democratizers that are maintaining their status.

The bar graph in figure 3 also demonstrates that autocracies that are liberalizing have their growth rate average higher than late democracies. The worse performance is represented by early and late interruptions in the process of democratizing. This first analysis suggests that the duration of regimes is linked with economic performance. Countries that have sustained their regimes over time tend to generate better economic performances compared to the ones that have been interrupted. The assumption here is that the stability is generated when a regime lasts over time. In this case political stability is linked with growth, despite regime types (see figure 3). Thus, the likelihood of economic growth for early democracies and long term autocracies is higher compared to late maintaining democracies and early and late democratizers that have had their democratic process interrupted. As a consequence, this first analysis demonstrates that political stability is crucial to economic growth.

However, political stability in rule based democracies differs from autocracies based on an environment of coercion and clientelism. First of all, Staffan Lindberg points out that in these new democracies, the repetitiveness of elections, as part of the democratic system, account for much more than a procedural mechanism.¹¹² According to Lindberg, elections generate a broader impact on democracy than is currently taken into consideration.¹¹³ For him, the establishment of

¹¹² Lindberg, op. cit.

¹¹³ Ibid.

multi-party elections engenders liberalization and the repetitiveness of electoral activities leads to transformations and improvements in the democratic system.¹¹⁴ Lindberg also points out that when a government breaks down, it usually happens just after the first election and after celebrating continuous second and third elections, regimes are more likely to survive.¹¹⁵ His conclusion is that a sequence of elections contributes to the democratization process, and more specifically it forges civil rights and liberties in a country. Therefore, in an environment where freedom and rights exist, accountability, transparency, and rule of law are more probable to emerge. Democracy also favored the economic activities of the society by protecting ownership and generating property rights.¹¹⁶ Democracy does a better job as an instrument for solving and managing potential and existing conflicts of interest through the application of the law.

On the other hand, the African case illustrates that authoritarian regimes tend to generate growth based on the exploitation of natural resources, such as oil, gold, and diamonds. Therefore, their economy is based on the commerce of strategic resources and investments in infrastructures are concentrated on this primary sector. The African case differs from the Asian economic performance, since the latter's growth is based on investments in infrastructure, technology, and human capital. It is well known that African authoritarian regimes are based on an informal and personalistic system of neo-patrimonialism, in which the political elites are engaged in vertical networks of loyalties and privileges. Patron-client relationship is also extended into many sectors of the society, where, in order to get access to jobs and resources they provide support and loyalty to patrimonial leaders.

The differences between democracies and authoritarian regimes, regarding their overall performance in sub-Saharan Africa, make it clear why donors must support and promote democratization in Africa. Neo-patrimonial regimes are avoiding investing in their countries and promoting economic development in order to maintain their personal power. Moreover, most of the economic growth in authoritarian regimes is concentrated on political elites and important supporters. In some cases, non-democratic regimes may hold elections, but it is just a façade.

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ Olson, *op. cit.*

Elections are flawed and used as an instrument to show structural and political changes to the international community in order to continue receiving foreign aid maintaining the same elite in power. Robert Mugabe is an example of this situation in Zimbabwe where the institutions of democracy are in place, but they are manipulated by this powerful man.

Figure 3: The Average Levels of Economic Growth in sub-Saharan Africa, 1988 - 2008

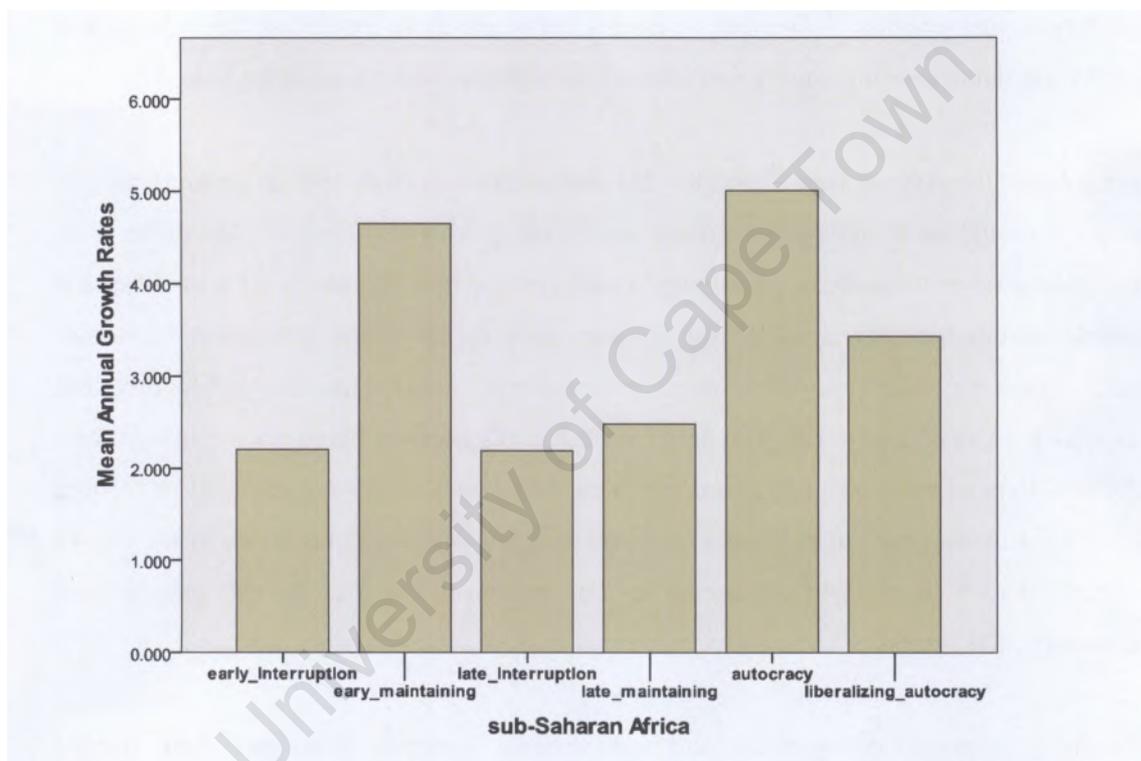


Table 7: Average Levels of Economic Growth by Regime Dynamics, 1988 - 2008

Regime dynamics	Frequency	SM 5YR Average of growth
Early Interruption Democracy (ear_inte)	168	2.22
Early Maintaining Democracy (ear_main)	231	4.80
Late Interruption Democracy (lat_inte)	63	2.22
Late Maintaining Democracy (lat_main)	42	2.40
Maintaining Autocracy (main_auto)	294	5.0
Liberalizing Autocracy (libe_auto)	189	3.29
Total	987	3.32

The next empirical analysis (see figure 4) takes into consideration oil producing countries.¹¹⁷ In this case I am not including the oil producers in my analysis. The reason to consider oil producers is because they might be an important intervening variable affecting economic growth among authoritarian regimes. The results show that when controlling oil producers or not including them in the model, authoritarian regimes do not perform better than early maintaining democracies. In this case, for early maintaining democracies their average annual growth is higher than for autocracies, being 4.8 for the former and 3.5 for the latter. Liberalizing autocracies also perform better than closed autocracies. Late maintaining democracies perform as well as early interruption and late interruption has the worst scores overall (see figure 4).

¹¹⁷ Oil producers are represented by Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Kenya, Mauritania, Nigeria, Sudan, Congo Kinshasa, Congo Brazzaville, and Ivory Cost.

In addition, since most of these non-democratic countries are still immersed in a patron-client system, public revenues from the oil industry have been largely used to maintain the support of their regimes through special access to jobs, resources, and other opportunities to loyal members. Therefore, this finding illustrates that economic growth in authoritarian regimes is due to the oil revenues and other natural resources. It also shows that they are strongly dependent on strategic resources and the autocracies that are not oil producers tend to perform much worse. On the other hand, democracies are shown to have a better economic performance and generate growth even in the case that they do not produce strategic natural resources.

Moreover, another criticism regarding authoritarian countries' oil dependency is that they do not use oil revenues to invest in infrastructures and human capital. Nevertheless, democracies perform better since political leaders tend to invest in productive activities as part of their agenda. Mass participation in the democratic system makes political elites more sensitive to the demands of the citizens. According to Tiruneh, directed investment is one of the most important sources of economic growth.¹¹⁸ Direct investments flowing into productive channels represent improvements in technology, infrastructures, human capital, and so on. These improvements lead to the modernization of the country, a better environment for business with the creation of more jobs, and foreign investments.

Early maintaining democracies tend to perform better than autocracies in regards to economic growth when controlling oil producers. Moreover, they also rank higher in the United Nations - Human Development Index (HDI).¹¹⁹ Mauritius has a high score in the **HDI** and South Africa, Botswana, Namibia, and Ghana have a medium score. On the other hand, most of the authoritarian regimes score lower in the HDI. Furthermore, poverty and famine are strong linked with authoritarian regimes. As Amartya Sen has argued, even in democracies with little civil liberties and political freedom, politicians tend to be more accountable and perform better than in closed regimes since public expectations translate into votes.¹²⁰ Democracy also serves as a

¹¹⁸ Tiruneh, op. cit.

¹¹⁹ United Nations Development Program, Human Development report 2007/2008 — Fighting Climate Change: Human Solidarity in a Divided World (2007).

¹²⁰ Amartya Sen. *Development as Freedom*. (New York: Knopf, 1999).

"protective role" for development by preventing famines and other disasters through the increase flow of information.

Figure 4: The Average Levels of Economic Growth not including the Oil Producers in sub-Saharan Africa, 1988- 2008

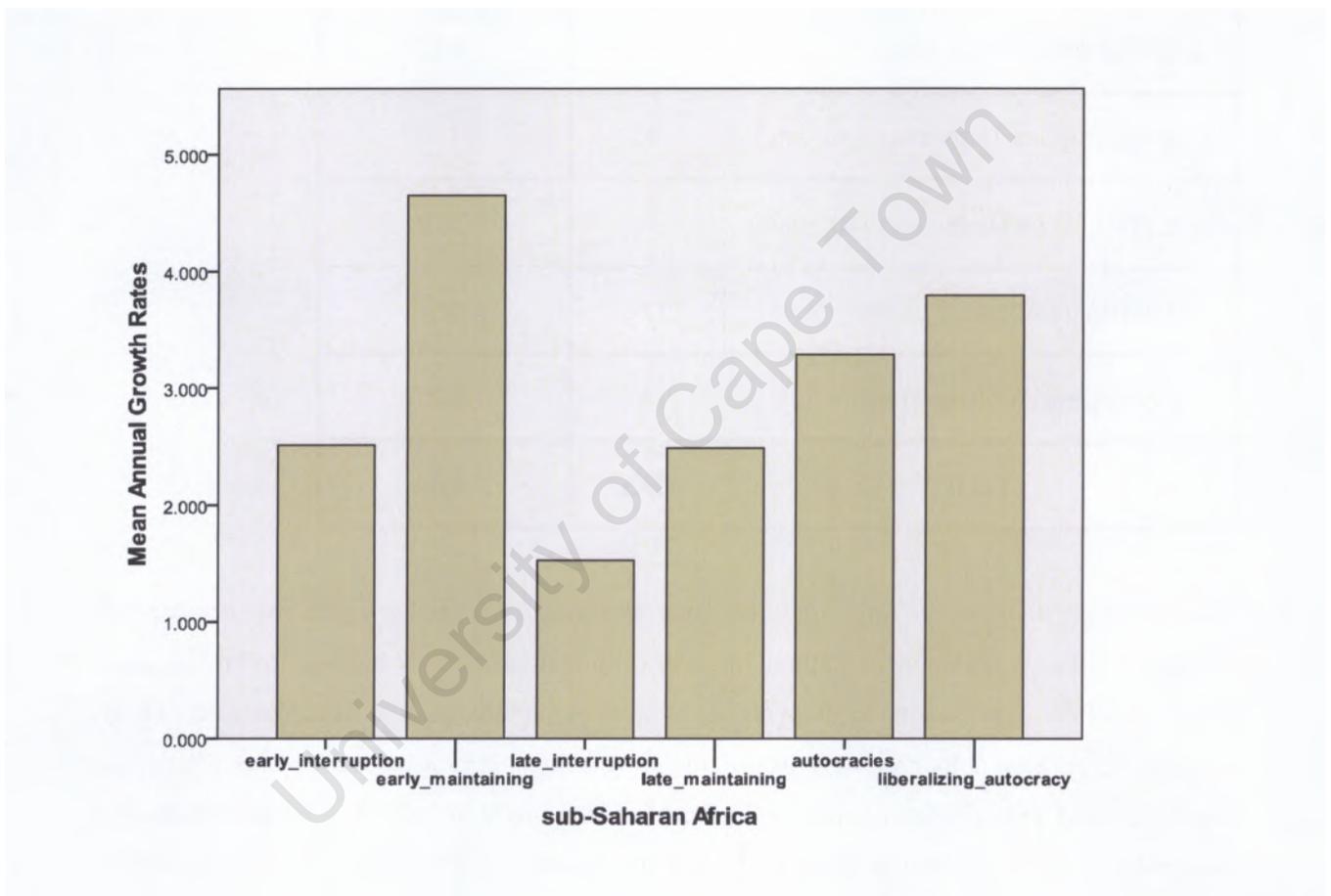


Table 8: Average Levels of economic Growth by Regime Dynamics without including the Oil Producers, 1988 - 2008

Regime dynamics	Frequency	SM 5YR Average of growth
Early Interruption Democracy (ear inte)	147	2.5
Early Maintaining Democracy (ear main)	231	4.85
Late Interruption Democracy (lat inte)	42	1.4
Late Maintaining Democracy (lat main)	42	2.50
Maintaining Autocracy (main auto)	126	3.5
Liberalizing Autocracy (libe auto)	147	3.80
Total	735	3.09

These findings demonstrate that good economic performance of authoritarian regimes depends strongly on the exploitation of natural resources, in this case oil. When controlling it, these countries are not experiencing high levels of economic growth compared to democracies. In this analysis liberalizing autocracies are also performing better than closed autocracies, suggesting that centralized authoritarian regimes and oil exploitation might be related to the maintenance of these regimes, showing that they are extremely dependent on oil revenues. The exploitation of natural resources might also be related to the durability of many authoritarian regimes in Africa and in some aspect responsible for the delayed transition to democracy. Therefore, the modernization argument, made by Lipset, those different levels of economic development is a greater predictor of a country's transition to democracy is not applicable when taking into

consideration many sub-Saharan African countries.¹²¹ In sub-Saharan Africa, oil has an economic impact on maintaining authoritarian regimes instead of generating regime break down. Moreover, with the rising oil prices, most of the oil producing countries have increased their revenues.

Another important finding provided in figure 5 illustrates that early maintaining democracies performed much better than autocracies during the late 1980s and early 1990s. However, autocracies performed better in the subsequent years. An interesting finding is that late maintaining democratizers (democratic transition after 1997) started growing after 2002, from 0.5 during the early 1990s to 4.0 after 2002. Thus, once again the modernization theory, which affirms that economic growth happening under authoritarian regimes leads to democracy or that economic growth is a condition to the democratic transition does not correspond to the African reality. These results show that economic growth has happened when a country was already democratic. One possible explanation is that the democratic experiment brings an environment of certainty regarding the leaders' obedience to the rule of law and respecting democratic institutions.

Daniel N. Posner and Daniel J. Young argue that institutions, principally electoral systems, are beginning to have weight for African leaders and it is a significant step in African democratization.¹²² Posner and Young compare the institutionalization of the electoral system after decolonization in the early 1960s until 1980s, and they arrive at the conclusion that most of the African leaders have left the government through a coup, assassination, or other forms of violent overthrow.¹²³ Nonetheless, since the 1990, the greater part has left office accompanied by formal institutional rules. From 2000 to 2005, just 19% of the rulers have left power through irregular means.¹²⁴ Institutionalization of the electoral system is the first step in the political development because it is the main and, in many cases, the only mechanism of public

¹²¹ Upset, op. cit.

¹²² Daniel Posner and Daniel Young. "The Institutionalization of Political Power in Africa," *Journal of Democracy* 18 / 3 (July 2007): 126-140.

¹²³ Ibid.

¹²⁴ Ibid. p129.

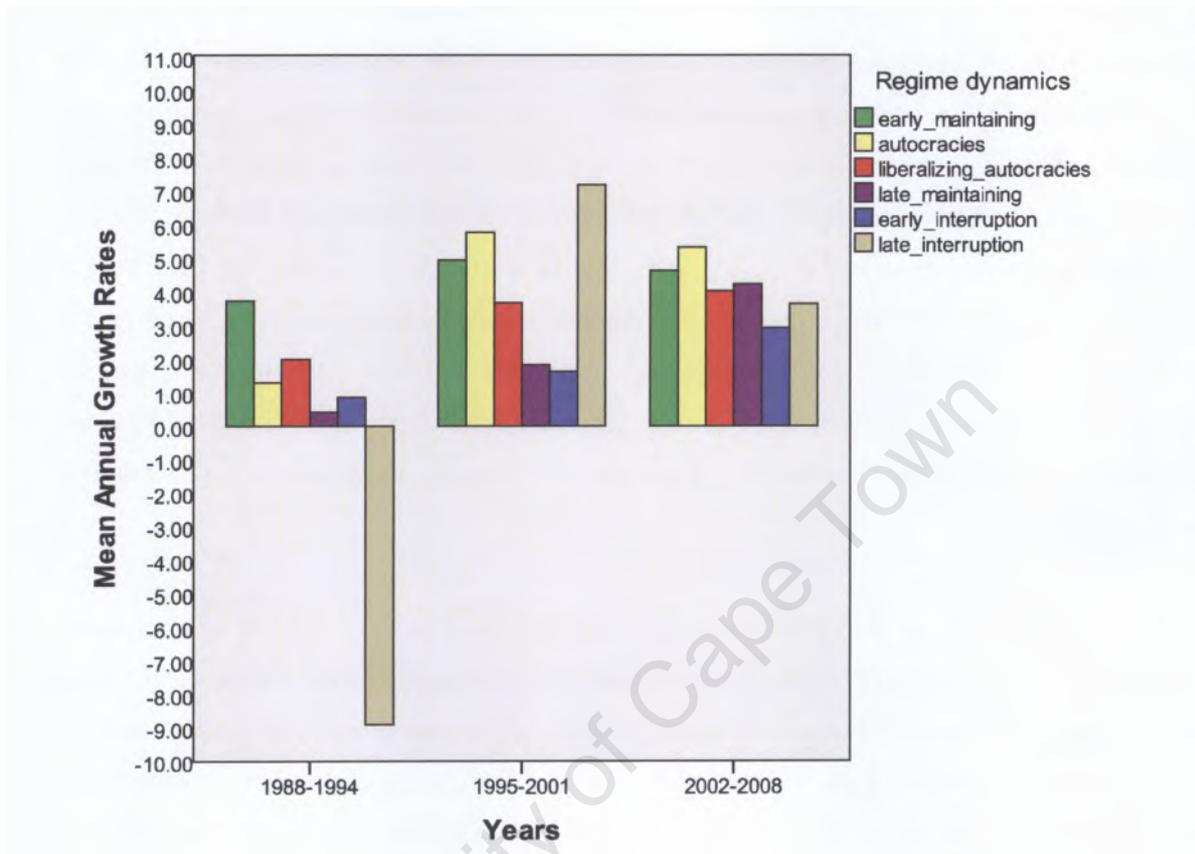
participation in Africa. It also demonstrates the primary source of checks against unlimited executive power.

According to Posner and Young, the reasons why executive leaders feel more constraint now than before are due to the roles played by public opinion in many countries in Africa. They are becoming much more sensitive and conscious of the leader's performance.¹²⁵ Secondly, donors of foreign aid are exerting more pressure on governments and in countries that presidents have tried to secure third terms. The average amount of aid for those who attempted to stay in power was 7.3 % of GDP, whereas for those who did not it was 12.1 % of GDP.¹²⁶ Nonetheless, elections reflect the adherence of formal rules in Africa, however, they do not refer to the formal institutional rules inside office and which have to do with laws, procedures, and regulations that make the governmental machine function based on accountability, transparency, and rule of law. In general, good governance governs the actuation of the political institutions.

¹²⁵ Ibid.

¹²⁶ Ibid. p135.

Figure 5: Economic Growth in sub-Saharan Africa, 1988-2008



Findings 3: The level of democracy affects growth

Nonetheless, the comparison of economic growth over time favored early democratizer countries (maintaining democratic status over time) when controlling oil producers (see figure 6). Early democratizers perform better during the entire period of analysis. After 2002, late democratizers also exceed autocracies and liberalizing autocracies. The empirical evidence, showed in this research, questioned the argument that political regimes are irrelevant for growth. It also distinguishes from Ronald Inglehart and Christian Welzel who argue that economic development

leads to democracy and not the other way around.¹²⁷ As it was already stated, the modernization argument does not take into consideration the reality of sub-Saharan Africa since the levels of economic growth for early and late democratizers increased after 1995 (see figure 6). The bar graph (see figure 6) illustrates that democracy does a better job regarding economic performance and the issue of timing also influences growth. It means that early maintaining democracies over time tend to have higher economic growth compared to late maintaining democracies. The assumption formulated here is that democracies that have started their transition before 1997 have strong formal institutions, in which governmental machines are functioning based on the rule of law, accountability, and transparency. Therefore, political performance might be associated with economic performance, since it generates an environment of predictability and guarantees private property ownership, domestic and foreign investments, and economic openness.

On the other hand, late maintaining democratizers are still in a process of building democratic institutions and in most cases building the institutions of the modern state. Bratton and Chang argue that state-building and democratization in Africa must be seen as a connected phenomenon that is happening simultaneously and both processes are reinforcing each other.¹²⁸ They argue that a capable and legitimate state is not only a precondition for successful democratization, but, reciprocally, is itself also "a product of the installation of democracy".¹²⁹ In short, the processes of state building and democratization are best viewed neither as occurring forwards or backwards but, rather, reciprocally or together. African cases suggest that democracy is being installed backwards or in some cases it is happening mutually with democratization i.e. South Africa. Bratton and Chang cited Rose and Shin who elaborate the stateness argument as follows: "While free elections are necessary, they are not sufficient for democratization. In many third-wave democracies, something is missing, but what is it? The short answer is: the basic institutions of the modern state."¹³⁰

¹²⁷ Inglehart, Ronald and Welzel, Christian. *Modernization, Cultural Change and Democracy: The Human Development Sequence* (Cambridge: Cambridge University Press, 2005).

¹²⁸ Bratton and Chang, op. cit.

¹²⁹ Ibid.

¹³⁰ ibid.

Indeed, levels of democracy are related to the strength of the state. Thus, types of regime systems in Africa are an important way to look at the issues of ethnicity. Stateness means the strength of the polity and the problem of African countries is that elections are not established in countries that have not consolidated these basic institutions, in few cases one can say that these institutions in fact exist, such as the cases of South Africa, Botswana, and Mauritius. However, a variety of political regimes can be found in Africa. Bratton and Chang use Freedom House Index from 2004 in order to classify regimes.¹³¹ According to their results, 15 African regimes were democracies, 27 were different types of autocracies, and 6 were categorized as hybrid regimes. In these 15 democracies, they argue that just 5 countries representing 7 percent of the continent's population are categorized as liberal democracies, meaning that they respect civil and political rights of the people.¹³² Ten countries are considered electoral democracies, meaning that free and fair elections are established but civil rights and freedom are not strongly secure.

Six countries are considered hybrid regimes that are not democratic or authoritarian. As Diamond notes "more regimes than ever before are adopting the form of electoral democracy, but fail to meet the substantive test."¹³³ The last category is formed by liberalized autocracies and unreformed autocracies. In this case, elections are there, but they are a mere façade. Moreover, these countries are involved in internal conflicts, such as the cases of Somalia and Congo-Kinshasa.

At this point, a comparative analysis between African regime types and characteristics of state are important in order to see the connection between these two variables. Bratton and Chang have empirically analyzed the relationship between stateness and regime type and their findings show that they are positively and significantly connected.¹³⁴ Their results show that of the five countries with the highest levels of stateness, four are liberal democracies i.e. Botswana, Cape Verde, Mauritius, and South Africa and the other is an electoral democracy i.e. Namibia. At the other end of the scale, African countries with low levels of stateness are characterized principally

¹³¹ Ibid.

¹³² Ibid.

¹³³ Diamond, op. cit. p22.

¹³⁴ Bratton and Chang, op. cit.

by political instability, and many have experienced civil wars. They say that "although countries such as Angola, Burundi, Nigeria, and Sudan score low on all governance dimensions, their primary shortcoming is that governments have yet to establish reliable control over territories".¹³⁵ They also conclude that these states do not have conditions conducive to democracy. The link between the strength of state and democracy is important since it is related to the issue of political order happening through legal means. The authors also mention that a functioning democracy has never emerged in any of Africa's weaker states. In short, weaker states are likely to end up as autocratic or hybrid political systems.

Public opinion data from Afrobarometer offers an important tool in order to identify which qualities of state are more prone to the emergence of democracy.¹³⁶ The variable supply for democracy, measured by individual opinions on satisfaction with democracy and the extent of democracy, shows that enforcement of the rule of law is the most important characteristic in a democratic state, because it also provides safety from crime and violence.¹³⁷ It also indirectly shows the commitment and responsive of the leaders. Public opinion data shows that the state's capacity to deliver social and economic goods does not translate into popular support and democratic satisfaction, but violations of the rule of law are perceived as worse on democratic support.¹³⁸ Therefore, a functioning state requires a set of institutions that enforce law and order. In this regard, strong institution makes democracy more likely and also makes the creation of rule of law viable as partly a product of democracy. The case of African states is aggravated by the establishment of informal institutions that coexist together with the formal institutions of democracy. Patron-client networks also undermine the functioning of these formal institutions, the rule of law and checks and balances.

The adherence to formal rules by the governments tends to improve with the continuous celebration of elections. Lindberg argues that in these new democracies, elections account for

¹³⁵ Ibid., p1071.

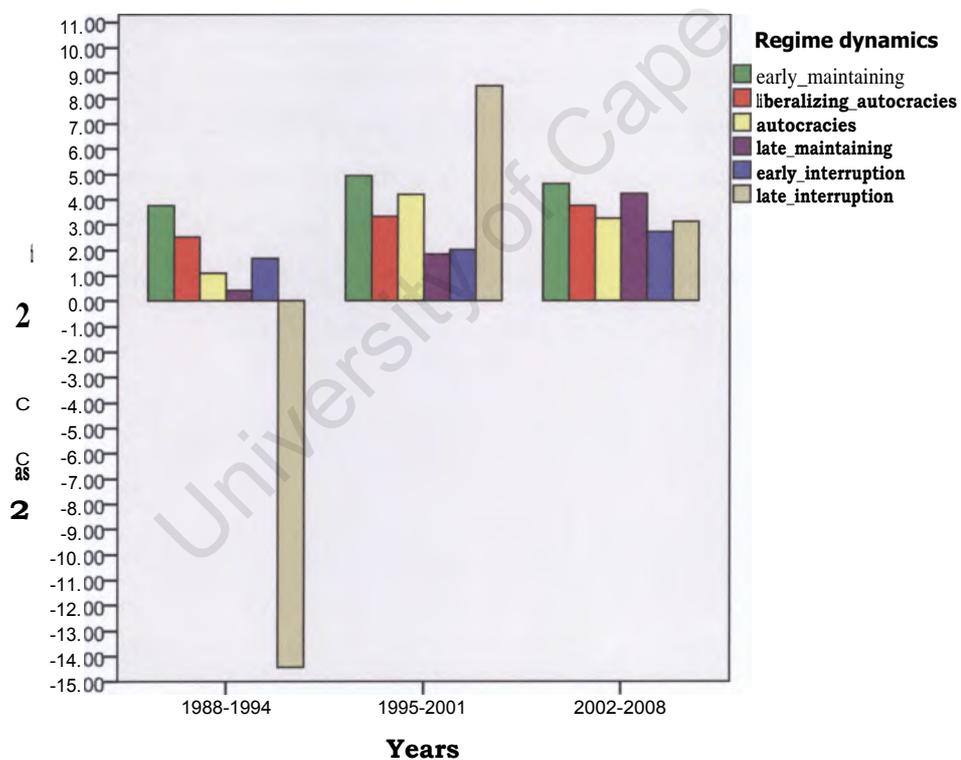
¹³⁶ /bid.

¹³⁷ Ibid.

¹³⁸ Robert Mattes and Michael Bratton. (January 2007) "Learning About Democracy: Awareness, Performance and Experience," *American Journal of Political Science*. 5111: 192-217.

much more than a procedural mechanism.¹³⁹ According to Lindberg, election generates a broader impact on democracy than is currently taken into consideration.¹⁴⁰ For him, the establishment of multi-party elections engenders liberalization and the repetitiveness of electoral activities leads to transformation and improvement in the democratic system. Lindberg also points out that when a government breaks down, it usually happens just after the first election and after celebrating continuous second and third elections, regimes are more likely to survive.¹⁴¹ His conclusion is that a sequence of elections contributes to the democratization process, and more specifically it forges civil rights and political liberties in a country.

Figure 6: Economic Growth in sub-Saharan Africa without including Oil Producing, 1988-2008



¹³⁹ Lindberg, op. cit.

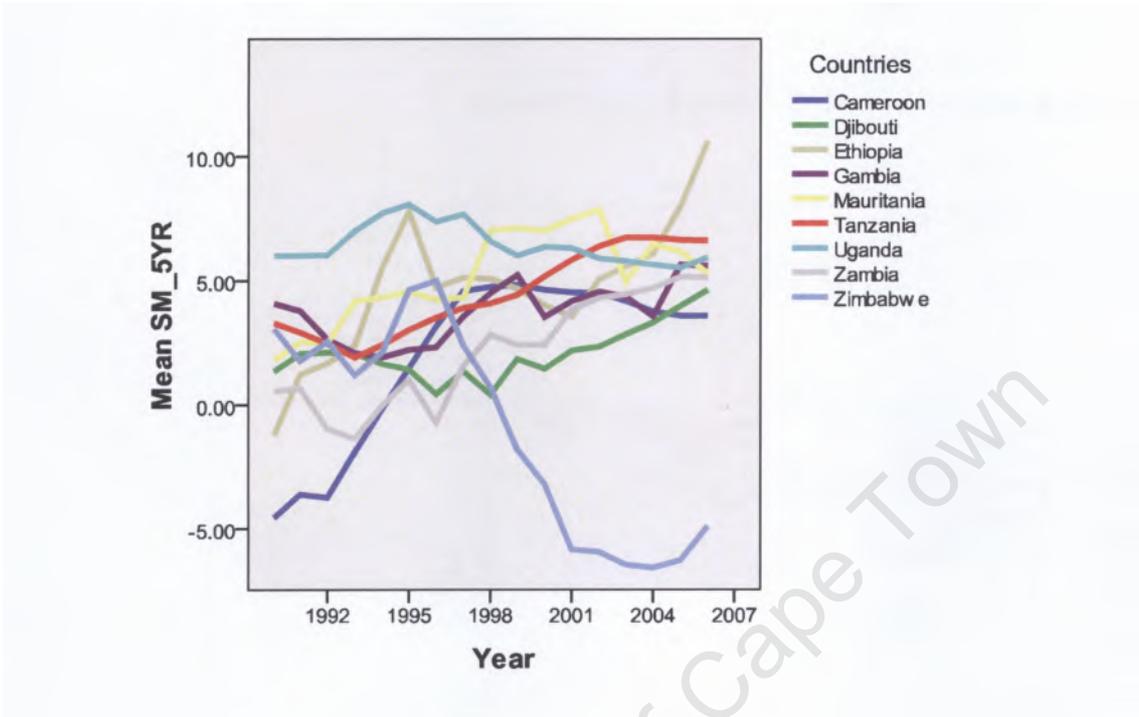
¹⁴⁰ Ibid.

¹⁴¹ Ibid.

Among the liberalizing authoritarian regimes controlling the countries that are oil producers, the ones that scores better on the Freedom House Index are the ones with long term growth. Doing a Time Series Analysis (see figure 7) for the liberalizing authoritarian regimes, Tanzania and Zambia are the ones that are sustaining their growth over time. A surprisingly case illustrated in the graph is Ethiopia since it has been having an economic boom since 2000. Ethiopia's average growth has moved from 4.0 to 10. It is an interesting case since Ethiopia's extremely robust growth depends mostly on exporting agricultural crops, such as coffee, beans, and oilseeds. World Bank's report shows that Ethiopia's growth is based on the escalation of public sector investments, especially in infrastructure and social capital.

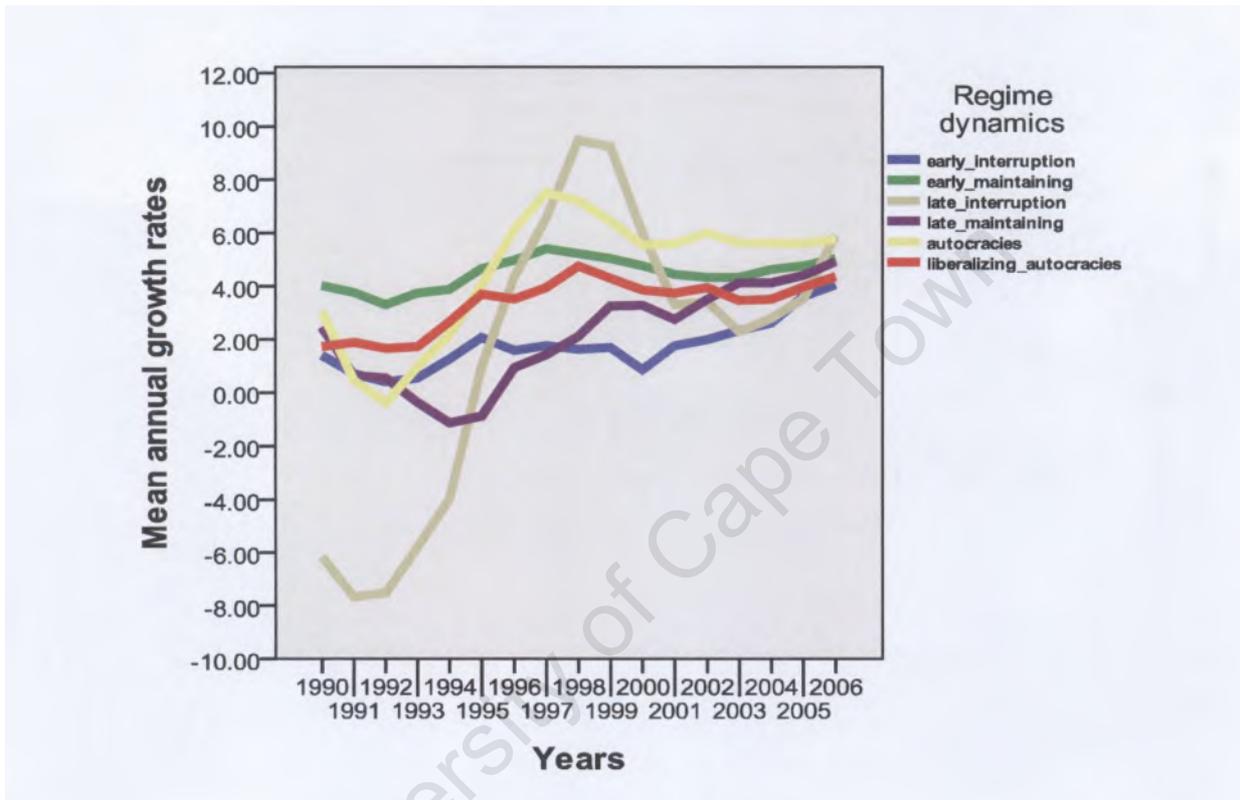
The next question to address is why late maintaining democracies are performing worse than liberalizing authoritarian regimes when controlling oil producers. Two main reasons might account for these results. First, late maintaining democracies have begun growing after 2002. Its economic growth was higher compared to liberalizing authoritarian in the period after 2002. Another reason that might account for these findings is due to the fact that Burundi was immersed in a civil war from 1993 until 2004. Consequently, the recession that started during the early 1990s was aggravated by the civil war, the embargo, and the reduction of the production of coffee beans — its main source of revenue. On the other hand, Senegal had strong average growth from 1990 to 1997 and great stable economic performance after that period.

Figure 7: Mean of Annual Growth Rate for Liberalizing Authoritarian Regimes



Findings4: Early democracies produce greater economic stability

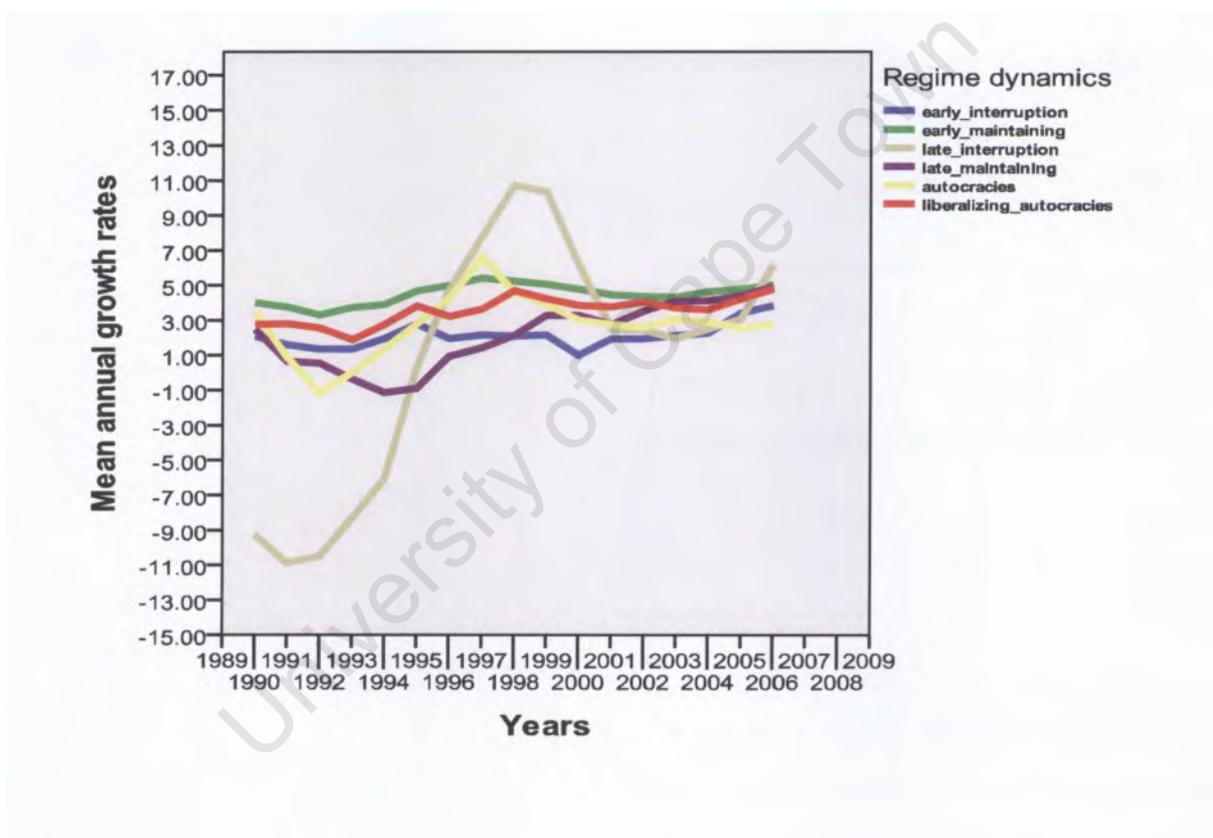
Figure 8: Economic Growth in sub-Saharan Africa, 1988-2008



In the time series analysis, the results show that early maintaining democracies have had a stable economic growth compared to autocracies (figure 8). The average rate of annual economic growth for democracies is 4.0. Authoritarian regimes that are liberalizing have also had a more stable economic growth than autocracies and democracies that have democratized after 1997, but have broken down. Overall, after 1995, autocracies tend to perform better than democracies. However, when controlling oil producers, the average annual growth for early democratizing is higher than for autocracies over time (see figure 9). Moreover, late democracies that have interrupted their process of democratization show economic instability during the entire period of analysis (see figure 8 and 9). Przeworski et al. argue that democratic stability is unlikely to be

achieved unless there is economic growth.¹⁴² Indeed, African case demonstrates that democratic stability is happening together with sustainable economic growth over time. Therefore, growth is not a precondition to democracy but, instead, it is generated by democracy and democratic stability might depend on the growth over time.

Figure 9: Economic Growth in sub-Saharan Africa without Including the Oil Producers, 1988-2008



In order to improve the analysis about economic stability, this study looks at economic fluctuation over time. Countries were classified according to their regime type for each year. They were classified as democracies, hybrid regimes, and autocracies based on the Freedom

¹⁴² Przeworski, op. cit.

House Index from 1988 to 2008. The results show that the average of economic annual growth for democracy is 4.03 and democratic countries show smaller economic fluctuation compared to other regimes, the standard deviation is 2.26. The average annual growth for hybrid regimes is 3.17 and their standard deviation is 5.56. Autocracies have a slightly higher mean compared to hybrid regimes, however, their standard deviation is also higher 6.04. This analysis demonstrates that democracies have a higher economic growth, and their growth is stable over time compared to hybrid regimes and autocracies when using aggregate mean between 1988 and 2008.

Table 8: The Average Levels of Economic Growth by Regime Type between 1988 and 2008

Report

Mean of Economic Growth

Regimes	Mean	N	Std. Deviation
Democracy	4.0377	254	2.26472

Report

Mean of Economic Growth

Regimes	Mean	N	Std. Deviation
hybrid regime	3.1749	138	5.56929

Report

Mean of Economic Growth

Regimes	Mean	N	Std. Deviation
Autocracy	3.1997	407	6.04321

Findings 5: Investments: an intervening variable

Investments in infrastructure are an important variable to look at briefly, since regime type might generate differences in growth rates due to different types of investments. Unfortunately, the infrastructure data is not available for the majority of sub-Saharan African countries. As a result, this study cannot provide the empirical analysis related to investment that might be an intervening variable between democracy and economic growth. Therefore, this analysis will be theoretical and based on previous studies from the World Bank. The differences between democracies and autocracies might be due to the fact that democracies invest more on infrastructure and human capital than do authoritarian regimes. Moreover, infrastructure might be the engine promoting the increment in GDP rates in sub-Saharan Africa. Indeed, democracy might affect economic growth by affecting certain factors, such as investments in human capital and infrastructure. Democracy generates an economic stability and growth by investing in areas that generate a sustainable economic growth. Furthermore, democracy, in most of the cases, generates an environment of more predictability due to its political stability through the design of micro and macroeconomic policies, protection of private property rights, and so on. A recent study conducted in 24 African countries shows that the poor state of infrastructures in Sub Saharan Africa, especially its electricity, water, roads, and information and communications technology (ICT), are responsible for cutting national economic growth by 2 percentage points every year and reducing business productivity by as much as 40 percent.¹⁴³

Infrastructures are represented by the basic set of structures that are necessary to promote development and social well-being. They are mainly represented by power, transport, irrigation, water and sanitation, and information and communication technology (ICT). The focus of analysis in this part of the study is whether infrastructure is affected by regime type in sub-Saharan Africa. The argument here is that different regime types might invest in infrastructure in different proportions. According to the World Bank "infrastructure has been responsible for more than half of Africa's recent improved growth performance and has the potential to

¹⁴³ Vivien Foster and Cecilia Briceno-Garmendia eds., "Africa's Infrastructure: A Time for Transformation". *The World Bank* (2009) pl.

contribute even more in the future." ¹⁴⁴ The empirical analysis has shown that democracy and autocracy categories do influence economic growth, it would be interesting to develop new research on what is promoting the sustainable economic growth for early maintaining democracies — it might be due to their investments in infrastructure. The main idea of looking at investment in infrastructure is because it is the engine to develop and sustain growth. In general, World Bank's report found out that the development of infrastructure in Africa is behind those of other developing countries. ¹⁴⁵ This negative scenario also has a drastic consequence in promoting regional integration. Their findings also include that, on average, Africa's infrastructure services are twice as expensive compared to elsewhere. This situation plays against the modernization of Africa's infrastructure and a lack of competition regarding infrastructure services.

The World Bank's report on Africa's infrastructure found that Africa's difficult economic geography presents a challenge for infrastructure development. The main constraints regarding Africa's geography is related to low overall population density (36 people per square kilometer), low rates of urbanization (35 percent), but relatively rapid rates of urban growth (3.6 percent a year), a relatively large number of landlocked countries (15), and several small economies. The continent also experiences high hydrological variability and is the continent most affected by the climate change, however, it has the lowest levels of emissions. ¹⁴⁶ Another problem facing sub-Saharan Africa is that the infrastructure to connect intraregional countries is very low when looking at transcontinental highway links and power interconnectors of fiber-optic backbones. This situation is especially problematic for small countries that might depend on the goods and services exchange from neighboring countries. Moreover, small and landlocked countries face problems since "most continuous transport corridors are concerned with providing access to seaports, whereas the intraregional road network is characterized by major discontinuities. Few cross-border interconnectors exist to support regional power exchange, even though many countries are too small to produce power economically on their own." ¹⁴⁷

¹⁴⁴ Ibid., p 1.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid., p4.

The middle income democracies, like Cape Verde, South Africa, and Mauritius are also ranked in a better position regarding their infrastructures. Non-democratic countries, especially the ones that are emerging from conflict, such as Ivory Coast and Democratic Republic of Congo, have a lack of infrastructure also because many of their installations were destroyed during the civil wars. Such countries would, on average, need to spend 37 percent of their GDPs to infrastructure in order to build a solid infrastructure platform. ¹⁴⁸ With their difficult environments, they attract relatively little external financing, capturing only 10 percent of overseas development assistance and 6 percent of private capital flows allocated to infrastructure. In addition to their huge financing burden, the fragile states do not use their current resources well; they underspend on maintenance and have inefficient service providers. ¹⁴⁹ In the Democratic Republic of Congo, about 50 percent of infrastructure assets need rehabilitation. Resource-rich countries could meet their infrastructure spending needs for a more manageable price tag of about 12 percent of GDP. ¹⁵⁰ Moreover, the large royalty payments they received during the recent commodity boom provided a ready source of finance. Yet resource rich countries actually lag behind non fragile low income countries in their infrastructure stocks and spend less on infrastructure. They have been devoting their added wealth not to infrastructure development but to paying off debts.

This study argues that well functioning infrastructure is essential to Africa's economic performance and that improving inefficiencies and reducing waste could result in major improvements in the lives of the African people. Democracies lead to a more sustainable economic growth but they might depend strongly on which policies democratic regimes carry out and which policies tend to promote prosperity. A high level of public investment in infrastructure in sub-Saharan Africa might help sustain its economic growth.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

7. CONCLUSION

It is noted that there are several indices for measuring democracy. The idea of using Freedom House Index was to provide data in order to create a model sensitive to the meaning of democracy in Africa. The improvements and setbacks for freedom and rights are very pronounced in Africa and these aspects are close related to the quality of democracy and autocracy in African governments. However, there is common criticism regarding the measurement of democracy by Freedom House, since it uses a dichotomous index that one size fit all. In this regard, countries are categorized as being democracy or not. Nevertheless, this weakness was overcome by dividing the countries into levels of democracy and autocracy. However, the six categories and the 1997 cut line defining early and late democracies and autocracies were developed arbitrarily in this study. Consequently, it might also lead to biased outcomes.

The question of causality was also raised about what leads to economic growth taking into consideration the relationship between regime dynamics and economic growth. The empirical evidence for legitimating the inference of cause-effect relationship was demonstrated in this study through the analysis of the average levels of economic growth before and after a country has established its first free and fair election. Above all, the countries that have maintained their democratic status have increased their economic growth after holding subsequences free and fair elections. However, the issues of causality are not easy to demonstrate when countries have periods of democratic interruptions. A more specific analysis should be done in the future, looking at each country and its economic growth before and after democratic interruptions. I suggest that a study case would be the best tool to do it.

The foregoing analysis found that the more democratic the country is, the higher its level of economic growth is when controlling oil producers. The important implication of these findings is that it provides empirical support against the argument that democracy does not generate economic growth because of the adverse effect of popular participation and the rise of demands. Therefore, newly established democratic regimes are not only performing better, but also

sustaining their economic growth. The practical implications of these findings are that the spread of democracy that has occurred in underdeveloped countries in the beginning of the 1990s is generating superior economic performance.

The newly established democratic regimes in sub-Saharan Africa show that democracy is a long run process and its stability and sustainability influences economic growth. Therefore, an environment of political stability is an essential item for economic growth. Political uncertainty, represented by early and late interruptions, has a negative impact on economic growth since it might generate less foreign direct investments in the private sectors.

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