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## The Political Economy of Democratic Transitions

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Dankwart A. Rustow's article on transitions to democracy has served as a reference point in current debates about democratization. Almost half of it was devoted to the rejection of "functional" approaches that focused on democracy's economic, sociopolitical, and psychological prerequisites. Given the prevalence of such explanations in 1970, Rustow's accent on agency, process, and bargaining broke new ground.<sup>1</sup>

However, the emphasis on process has come to exercise a disproportionate influence on the theoretical analysis of regime change, going far beyond what Rustow himself intended.<sup>2</sup> Though bargaining lies at the core of most contemporary models of regime change, they are typically weak in specifying the resources that contending parties bring to the negotiation and even the institutional stakes of the negotiation itself. Since these models are disconnected from underlying economic conditions and social forces, they miss important determinants of bargaining power as well as substantive concerns that drive parties to seek or oppose democratization in the first place.

Our approach to the political economy of democratic transitions, in contrast, stresses the effect of short-term economic conditions on the bargaining power and interests of incumbents and oppositions. Drawing on the experience of ten middle income Latin American and Asian countries, it traces the impact of economic crises on the terms of transition and nature of new political alignments.

### **Theories of Regime Change since Rustow**

The timing of Rustow's article was inauspicious. Published in 1970, "Transitions to Democracy" appeared just as the installation of bureaucratic-authoritarian regimes in Latin America was cresting and as the authoritarian nature of politics in postcolonial Africa and Southeast Asia and the Middle East was becoming abundantly clear. Students of the Third World were preoccupied, not with democratization, but with the emergence of new types of authoritarian rule.

One interpretation of authoritarian rule derived from sociological and Marxist traditions and highlighted conflicts over capital accumulation and distribution. Its centerpiece was Guillermo O'Donnell's *Modernization and Bureaucratic Authoritarianism*.<sup>3</sup> O'Donnell's model was frequently summarized in terms of the

relationship he posited between industrial deepening and the propensity to authoritarian rule. In fact, his analysis was far richer; it drew on a range of social conflicts and political strains that arise in the course of rapid economic transformation. Nonetheless, the broad causal thrust of O'Donnell's argument was clear: economic change generated social conflict, political polarization, and incentives for both militaries and key social groups to abandon democracy.

Meanwhile, Juan Linz and Alfred Stepan constructed an alternative approach from comparative studies of the breakdown of democracy in Europe and Latin America.<sup>4</sup> Their project, particularly Arturo Valenzuela's penetrating study of the Chilean coup of 1973, questioned the centrality of economic factors in democratic breakdowns.<sup>5</sup> Rather, electoral institutions and the strategies of politicians either amplified or muted tendencies toward polarization. Even when "structural strains" were implicated in authoritarian transitions, polarization was "generally a reflection of a failure of democratic leadership."<sup>6</sup>

The collapse of authoritarian rule in southern Europe and Latin America that began in the 1970s revived interest in regime transitions. A striking feature of the literature on this "third wave" of democratization has been the prominence of theories that mirror Rustow's emphasis on strategic interaction and negotiation.<sup>7</sup>

The most important contribution in this vein was O'Donnell and Schmitter's essay on "Tentative Conclusions about Uncertain Democracies" in the multivolume comparative project, *Transitions from Authoritarian Rule*.<sup>8</sup> For O'Donnell and Schmitter, economic interests and political institutions important in the analysis of stable regimes were less relevant during democratic transitions. In the tradition of Rustow, Linz, and Stepan, they highlighted contingent choice, "the high degree of indeterminacy embedded in situations where unexpected events (*fortuna*), insufficient information, hurried and audacious choices, confusion about motives and interests, plasticity and even indefiniteness of political identities, as well as the talents of specific individuals (*virtù*) are frequently decisive in determining outcomes."<sup>9</sup>

If O'Donnell and Schmitter were sometimes extreme in embracing indeterminacy, they were not alone in placing strategic interaction at the heart of the transition process. Adam Przeworski used the distinction between hardliners and softliners to develop a game-theoretic model of authoritarian withdrawals.<sup>10</sup> Donald Share and Scott Mainwaring offered a "transactional" approach that drew on Linz's distinction between *reformas*, controlled by incumbent leaders, and *rupturas*, where oppositions are in command.<sup>11</sup> Huntington structured his discussion of transition paths similarly around the relative power of government and opposition.<sup>12</sup> Giuseppe Di Palma characterized democratization as the "crafting" of alliances in the transition process.<sup>13</sup> Michael Burton, Richard Gunther, and John Higley attributed democratic consolidation to "elite settlements" and "elite convergence."<sup>14</sup>

To be sure, some scholars placed greater emphasis on structural and institutional constraints.<sup>15</sup> In an influential critique Terry Karl argued that the notion of contingent choice “has the danger of descending into excessive voluntarism if it is not explicitly placed within a framework of structural historical constraints.”<sup>16</sup> Yet she built her own scheme around a typology of transition paths that rested ultimately on the possibilities of elite pact making.

The specifics of these approaches differ in important respects, yet they converge on a number of points that can be traced directly to Rustow. First, the key actors in the transition process are political elites, whether in the government or opposition, not interest groups, mass organizations, social movements, or classes. Second, actors are typically defined in terms of their orientation toward regime change (hardliners-softliners, moderates-extremists) rather than by interests rooted in economic structures and conditions or institutional roles. Third, actors behave strategically; their actions are influenced by expectations concerning the behavior of allies and rivals. Finally, democratization is the outcome of explicit or implicit negotiation; new institutions are “bargains among self-interested politicians.”<sup>17</sup>

The ascent of this line of thinking and the turn away from structuralism constitutes an interesting puzzle in the sociology of knowledge. They partly reflect broader theoretical trends in political science. Structural analyses emphasizing class conflict, dependency, and economic development often took a functionalist form and did not provide the microfoundations that were increasingly emphasized in the discipline. The transactional approach, by contrast, lent itself to game-theoretic treatment, exemplified in the simple yet compelling models of Adam Przeworski’s *Democracy and the Market*.

The emphasis on bargaining also reflected political objectives. A focus on strategy allowed political science to address powerful actors in democratizing countries, to identify ways they might influence the process, and above all to avoid the pessimistic and self-fulfilling prophecies derived from relatively immutable economic and social constraints on democratic rule.

It is now impossible to formulate a theory of democratic transitions that does not explicitly address the strategic interactions between and within the government and opposition. However, the ascent of elite bargaining approaches has not been without costs. First, such theories require a clear specification of the preferences and capabilities of the players and delineation of the agenda over which they are negotiating. However, many models take the relative power, preferences, and agenda of the actors as given, as in Linz’s distinction between *reforma* and *ruptura*, Huntington’s “transformation,” “transplacement,” and “replacement,” and Karl’s “elite ascendant” and “mass ascendant” transitions. They fail to address the factors that shape actors’ preferences and capabilities in the first place and the conditions under which they might change over time. The opportunity to

link the strategic behavior of actors to underlying situational imperatives is foregone.

Second, some analyses use the relative power of the actors largely as an organizing device in describing how the negotiation of the transition process unfolds.<sup>18</sup> But the weight placed on transitional processes can be justified only if they provide some insight into the nature of the political bargain struck. O'Donnell and Schmitter make such a claim, for example, when they argue that explicit negotiations and pacts "enhance the probability that the process will lead to a viable political democracy," with the crucial corollary that a *ruptura pactada* will necessarily be economically and socially conservative.<sup>19</sup>

However, if all transitions imply an element of strategic interaction and negotiation, then the distinction between negotiated and nonnegotiated and between pacted and nonpacted transitions seems difficult to sustain. Strategic interaction occurs even in the most extreme cases of regime collapse. Totally defeated in war, the Japanese were nonetheless able to argue successfully for the retention of the emperor and subtly to sabotage some of the American occupiers' designs. The key issue concerns, not the presence of a negotiation process, but rather the resources contending parties bring to bear in influencing the terms of the transition and the stability of the outcome in the face of subsequent challenges.

Third, strategic approaches to transitions pay relatively little attention to economic variables and interests. This lacuna partly resulted from timing. Conclusions about the weak causal significance of economic factors were reached prior to the crises of the 1980s, well before the economic fallout of the debt crisis could be fully evaluated.<sup>20</sup>

Our approach to democratization draws on strategic analysis but focuses on the effects of economic conditions on the preferences, resources, and strategies of key political actors in the transition "game." We acknowledge at the outset that many factors contributed to the dramatic political transformations of the 1980s and 1990s: international diplomatic pressures stemming from the end of the Cold War, the "contagion effect" of transitions in neighboring countries, and structural changes associated with long-term economic development. Moreover, there is no simple relationship between economic crisis and regime change. Although the withdrawal of authoritarian rulers coincided with severe economic crises in a number of Latin American and eastern European countries, in other important instances authoritarian rulers survived crises or withdrew under favorable economic circumstances.

We do not, therefore, offer an economic theory of democratization. Rather, we focus on how economic conditions influence the timing and terms of democratic transitions and posttransition political alignments. We distinguish between transitions that occur in conjunction with economic crises and those that occur when economic performance is strong. Economic crises undermine the

“authoritarian bargains” forged between rulers and key sociopolitical constituents and expose rulers to defection from within the business sector and protest “from below.” The resulting isolation of incumbent authoritarian leaders tends to fragment the ruling elite further and reduce its capacity to negotiate favorable terms of exit. Posttransition democratic politics in these settings is characterized by low political barriers to entry and tendencies to political fragmentation.

Where authoritarian governments avoid or overcome crisis, rulers are likely to maintain backing from powerful segments of civil society even as they exit office. This support allows them to impose an institutional framework that not only maintains their prerogatives, but also favors their political allies’ chances and restricts their opponents’ freedom of maneuver.

### **Political Responses to Economic Crises**

The economic crises of the 1970s and 1980s had two defining characteristics. First, aggregate economic performance, as measured by declining growth and accelerating inflation, deteriorated. Not all groups lose during crises, and some may gain. However, the distributional politics of winners and losers is poorly understood. For incumbents, deteriorating economic performance cuts across social strata and affects a wide swath of society. Second, crises were not self-correcting. Temporary shocks may have triggered them, but existing policy approaches could not be sustained without continued economic deterioration. Crises thus raised the challenge of policy reform and the political costs it entailed.

Though crises are neither necessary nor sufficient to account for authoritarian withdrawal, poor economic performance reduces the bargaining power of authoritarian incumbents and increases the strength of oppositions. To understand why, we must consider the political interests, strategies, and capabilities of three sets of actors: private sector business groups, middle class and “popular sector” organizations, and the elites who control the state and the main instruments of coercion.

Deteriorating economic performance disrupts the political bargains rulers typically forge with segments of the private sector. The specific bases of business support depend, of course, on the structure of the economy and the political project of the government. Authoritarian regimes have rested on a wide variety of coalitional foundations, from agro-export elites to import-substituting industrialists and export-oriented manufacturing firms. But in all mixed economies the cooperation of some segments of the business elite is crucial for the stability of authoritarian rule.

The initial reactions of the private sector to economic decline typically focus on changes in specific policies or government personnel. But if private sector actors lose

confidence in the ability of the government to manage crises effectively, they can quickly recalculate the costs associated with democratization. They are particularly likely to do so when there are opportunities to ally with moderate oppositions.<sup>21</sup>

The defection of private sector groups substantially weakens the power of authoritarian incumbents. Not only can business groups play a direct organizational and financial role within the opposition, but the loss of confidence confronts the government with bleak prospects for future investment and growth.

Middle and lower income groups, by contrast, are more vulnerable to repression. Their primary political asset is the mobilization of protest: strikes, street demonstrations, and at times electoral campaigns. Strategically, these actions seek to render the polity ungovernable and to so raise the cost of coercion that authoritarian rulers are forced to make concessions.

Protest actions are frequently directed at political objectives, but it would be misleading to interpret their origins and popularity as purely political. Such movements often originate in reaction to economic grievances: unemployment; inflation in the prices of staples, fuel, and transportation; declining real wages. Crisis conditions provide oppositions with new opportunities to draw adherents by linking economic circumstances to the exclusionary nature of the political order.

Most crucial to the survival of authoritarian regimes is the continuing loyalty of the political-military elite itself: the heads of the armed forces, strategic segments of the state apparatus, and the individuals who control the machinery of the ruling party. The proximate cause for the exit of authoritarian regimes can almost always be found in splits within this elite.<sup>22</sup>

Divisions between "hardliners" and "softliners" are not necessarily linked directly to differences over economic policy. Yet even where economic crises are not the source of factional conflicts within the authoritarian elite, they are likely to exacerbate them. Economic downturns affect the loyalty of the political-military elite by reducing the ability of the government to deliver material benefits. Like any other component of the public sector, military establishments are threatened by adjustment measures, particularly budget cuts. The defection of private sector groups and the widening of popular sector protest also increase divisions over the costs and benefits of coercion, making the maintenance of a united authoritarian front problematic.

In noncrisis circumstances, incumbent authoritarian leaders tend to enjoy greater leverage. Some segments of business usually provide key support to military intervention; they are much less likely to be disaffected with the political status quo when economic performance is good. Good performance does not rule out purely political protest; the surge of middle class demonstrations in Korea in 1987 provides an example. Authoritarian regimes may fissure even in periods of robust economic performance. Nonetheless, other things being equal, authoritarian

leaderships will enjoy wider support, less protest, and fewer internal divisions when economic performance is strong.

To explore these arguments empirically, we compare ten transitions from military rule. The six crisis transitions include Argentina (1983), Bolivia (1980), Uruguay (1985), the Philippines (1986), Brazil (1985), and Peru (1980). In Argentina, Bolivia, Uruguay, and the Philippines, regime transitions occurred during deep recessions; the Latin American countries also suffered from high inflation. Although the Brazilian and Peruvian transitions occurred during brief economic upswings, both countries had experienced extraordinarily severe shocks only a few years earlier. They continued to face severe inflation and a long agenda of unresolved adjustment challenges.

The four noncrisis transitions were Chile (1990), Korea (1986), Thailand (1983), and Turkey (1983). Authoritarian governments withdrew under a variety of international and domestic political pressures, but each transition occurred against the backdrop of successful economic reform, high rates of growth, and relative macroeconomic stability. These conditions help account for variations in the terms of the transition and the political alignments that emerged under new democratic regimes. The differences are summarized in Figure 1.

Figure 1 The Political Economy of Democratic Transitions

	<b>Crisis Transitions</b>	<b>Non-Crisis Transitions</b>
<b>Political challenges to authoritarian rule</b>	Political demands overlap with: <ul style="list-style-type: none"> <li>• Defection of business elites</li> <li>• Economically-motivated mass protest</li> <li>• Divisions within government over resource distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily political demands for liberalization</li> </ul>
<b>Process of constitutional reform</b>	<ul style="list-style-type: none"> <li>• Strong opposition influence</li> </ul>	<ul style="list-style-type: none"> <li>• Dominated by authoritarian incumbents</li> </ul>
<b>Jurisdiction of elected officials</b>	<ul style="list-style-type: none"> <li>• Elimination of authoritarian enclaves</li> <li>• Reduced military prerogatives</li> </ul>	<ul style="list-style-type: none"> <li>• Significant authoritarian enclaves</li> <li>• Substantial military prerogatives</li> </ul>
<b>Barriers to political entry</b>	<ul style="list-style-type: none"> <li>• Few limits on participation</li> <li>• Permissive voter and party registration laws</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing limits on some political groups</li> <li>• Restrictive voter and party registration laws</li> </ul>
<b>Political cleavages and alignments</b>	<ul style="list-style-type: none"> <li>• Weak continuist parties</li> <li>• Fragmented and/or polarized party systems</li> </ul>	<ul style="list-style-type: none"> <li>• Strong continuist parties</li> <li>• Centrist party systems</li> </ul>

### **The Consequences of Crisis I: The Terms of Transition**

By the terms of transition, we refer to both the formal constitutional rules and the informal understandings that govern political contestation in the new democratic system. These terms include military prerogatives, rights of participation in political life, and the design of representative and decision-making institutions. They were not definitely settled at the time of transition in any of the cases we examined. Nevertheless, the terms of the transition exerted a powerful influence on subsequent political developments.

Differences between the crisis and noncrisis cases are evident in both the processes through which constitutional orders evolved and their substance. In three of the noncrisis transitions—Chile, Turkey, and Thailand—transitions occurred under constitutions written by the outgoing authoritarian government. Although incoming oppositions succeeded in negotiating some amendments, these constitutions provided the framework within which new democratic governments operated. In Korea, Chun Doo Hwan's government was forced to make substantial concessions to opposition demands after the mass protests of spring and summer 1987. Nonetheless, the constitution was written prior to the military's exit and reflected the military government's preferences in important ways.

In the crisis transitions, opposition forces wielded much greater influence. Their influence was particularly strong where authoritarian rule collapsed relatively swiftly, in the Philippines and Argentina; opposition politicians made institutional choices with little input from the outgoing government and returned to constitutions that predated authoritarian rule. In Bolivia, groups linked to the authoritarian order participated to a greater extent but yielded the presidency to a representative of the most militant opposition. In Uruguay, deteriorating economic conditions and mounting protest forced the government to abandon constitutional demands that would have perpetuated the influence of the military and its supporters within the traditional parties.

Authoritarian leaders and their allies had greater influence over the transition in Peru and Brazil, but opposition politicians still played a larger role than in the noncrisis cases. In Peru, a new constitution was written while the military remained in power, but it was drafted by a constitutional assembly dominated by opposition parties. In Brazil, the military maintained many of its prerogatives in the 1988 constitution, but the congress that drafted the constitution was elected a year after the transfer of authority to civilians.

The relative strength of authoritarian and opposition forces in the negotiation process influenced institutional design. Outgoing rulers typically had two central objectives. First, they sought to preserve the military's organizational autonomy and to perpetuate their substantive policy agenda. The principal means of accomplishing this objective were to create decision-making enclaves, particularly

with respect to the military establishment itself, that were insulated from democratic oversight and control. Second, they sought to impose limits on the opposition. Specific outcomes varied across the cases, but with consistent differences between the crisis and noncrisis transitions.

**Military Prerogatives and Decision-Making Enclaves** Outgoing rulers were most successful in creating “authoritarian enclaves” in the noncrisis transitions. Thailand’s incremental and ambiguous transition stands out in this respect. With respect to both budget and internal organization, the military remained a power unto itself and, notwithstanding the expansion of electoral politics, continued to be the dominant force within the political system. Political power was exercised both formally, through legally prescribed arrangements, and extraconstitutionally. The 1978 constitution provided for an appointed senate which initially exercised veto power over decisions of the elected lower chamber. Thailand was also the only noncrisis case where political authorities faced attempted coups. Democracy was even reversed briefly in the early 1990s.<sup>23</sup>

In Latin America, the contrast between Chile and the other transitions is especially sharp. In Chile, Pinochet remained at the helm of the armed forces following the transition, and he and his appointees sat on the national security council.<sup>24</sup> Military budgets were sustained through a guaranteed share of revenues from copper exports. Such arrangements went well beyond the prerogatives maintained by the armed forces in Brazil, the most influential military establishment among the crisis transitions. Even more significant were the enclaves created within the broader political system. Before leaving office, Pinochet appointed supreme court justices, mayors, regional governors, and one-fifth of the new senate. These appointments provided the military’s conservative allies with the power to block or delay the policies of the incoming democratic government.

The institutional arrangements imposed by the Turkish military paralleled those in Chile.<sup>25</sup> In 1983 it exercised a veto power over which parties could contest the transitional election and sought to maintain influence through control of the presidency and national security council. Though these restrictions did not go unchallenged, civilian oversight of the military was distinctively limited. Martial law remained in place in the southeast of the country, where the government became embroiled in an escalating conflict with Kurdish separatists.

In Korea, the scale of social protest against the regime was greater, and the position of the military correspondingly weaker, than in Thailand, Chile, and Turkey.<sup>26</sup> However, Roh Tae-woo was himself a military man and posed no threat to the institutional interests of the armed forces. Roh maintained the internal autonomy of the army and continued the security establishment’s long history of domestic surveillance and intervention in politics.

In the crisis cases, economic difficulties and loss of support prevented outgoing

rulers from preserving either military prerogatives or other means of political influence. The Argentine military, decisively defeated in the Malvinas/Falklands conflict, poses the starkest contrast with the noncrisis cases.<sup>27</sup> It could not avoid prosecution for human rights abuses and faced sharp reductions in financing and organizational autonomy. In Uruguay, Bolivia, and Peru, militaries also emerged in a weakened position, though in better circumstances than in Argentina.

Among the crisis transitions, the Brazilian and Philippine militaries stood at the opposite end of the spectrum from Argentina and were closest to the noncrisis cases in terms of political influence and prerogatives. In the Philippines, the new democratic government rapidly purged high-ranking Marcos cronies in the military. However, one faction of the army provided crucial support for the democratic transition. The military thus exercised considerable influence within the new democratic government.

The Brazilian military retained the most extensive institutional prerogatives of any military among the crisis transitions.<sup>28</sup> As in most of the other crisis cases, however, it left office constrained by deep internal divisions and a substantial decline in support among both politicians and the general public. Compared to Chile, its influence on the new constitutional order was far more limited.<sup>29</sup>

**Restrictions on Participation** The extent to which organized interests excluded under the authoritarian order, particularly unions and political parties of the left, regained legal and political opportunities to participate in politics also differed. In the noncrisis cases, mechanisms of exclusion ranged from bans on political activity and outright repression to more subtle manipulation of electoral laws. These restraints were much less evident in the crisis cases.

Exclusionary mechanisms were most visible in Turkey. The government used legal restrictions on Islamic fundamentalism and on criticism of its Kurdish policies to intimidate and arrest journalists and politicians. The main labor confederation remained banned after the transition in 1983, and as late as 1986 the government indicted union activists for seeking to achieve "the domination of one social class over another." The military also prohibited linkages between parties and interest groups and banned a number of organizations outright.<sup>30</sup> High electoral thresholds limited the electoral prospects of smaller left parties.

In Korea, despite the explosion of labor and left militancy in 1987–88, unions remained legally barred from participating in rallies and demonstrations, and their formal right to strike was severely constrained.<sup>31</sup> Bans on the organizing role of leftist groups also remained in place. During the late 1980s such provisions provided the legal basis for the government to limit debate over crucial issues such as reunification and workers' rights.

In Chile, opposition politicians succeeded in lifting outright bans on the participation of left parties and union activity. But these gains were possible in part

because the left agreed to abandon its historic antipathy to market-oriented policies and to accept the leadership of the centrist Christian Democratic party in the anti-Pinochet coalition. Moreover, electoral laws promulgated under the old regime limited the opposition's gains. The establishment of two-member congressional districts under a d'Hondt allocation rule almost guaranteed that conservative parties would secure at least one seat in many districts.

Among the noncrisis cases, Thailand went furthest in eliminating substantial legal barriers to the formation of interest groups and the registration of political parties. But the preservation of nondemocratic enclaves and the continuing political power of the military reduced the real influence of the parties and the elected parliament more than in the other transitions.

In the crisis cases, the elimination of restrictions on labor and political groups was much more complete. Restrictive labor legislation remained on the books in some cases, but in contrast to Korea and Turkey unions rapidly regained the right to organize, strike, and press their political demands. In Bolivia, the union confederation functioned virtually as a cogovernment during the first five years of democratic rule, although it eventually suffered a harsh crackdown during the hyperinflation of 1985.

Differences between the two sets of cases could also be found in the design of voter and party registration laws. In general, authoritarian elites sought to limit the opportunities of small, ideologically defined parties by forcing them into broader party coalitions, as they did in Chile, Korea, and Turkey. In the crisis cases, opposition politicians pressed successfully for rules enabling them to respond to the pent-up demands of constituencies that had been systematically excluded under the old order. Changes generally involved lowering the voting age, easing registration procedures, and lifting restraints on party registration. In Bolivia, for example, extremely low thresholds for party registration led during the late 1970s to the appearance of some seventy new parties.<sup>32</sup> Comparable patterns are visible in the other crisis cases.

### **The Consequences of Crises II: Political Cleavages and Alignments**

Explaining political cleavages by reference to short-term economic conditions is more risky. Party systems and patterns of interest organization did not emerge *de novo* in response to economic crisis, and all political alignments can not be explained simply as the result of the new constitutional frameworks and electoral rules. In Latin America, most transitions were really redemocratizations. Consequently, the organization and behavior of political parties and interest groups reflected historical legacies to some extent.

Nonetheless, economic conditions combined with the institutional rules

established at the time of the transition influenced the relative strength of contending political forces. In the crisis cases, economic distress and low barriers to political entry encouraged parties and interest groups on the left or with antimarket ideological orientations. Party systems were both more polarized and more fragmented. In the noncrisis cases, these centrifugal pressures were more likely to be contained, not only by restrictions imposed by outgoing military rulers, but also by the relative strength of political forces on the right.

One indicator of the balance of political power in the new democracies is the extent of support for "continuist" parties. Though these parties did not typically back the continuation of military rule, they supported the policy project of the *ancien régime*. In the noncrisis cases, such parties fared surprisingly well. In Korea, Roh Tae-woo garnered over a third of the vote in the 1986 presidential elections, and his party fared almost as well in the legislative elections. Moreover, the leader of one of the main opposition parties, Kim Jong-pil, was closely identified with Park Chung-hee, Chun Doo Hwan's authoritarian predecessor. In Chile's 1989 presidential race, candidates of the right garnered almost 45 percent of the vote, and the combined vote for rightist congressional candidates was more than double that obtained in 1973!<sup>33</sup>

In Turkey and Thailand, outgoing rulers maintained more direct control over party competition, and it is thus more difficult to gauge the underlying electoral strength of continuist parties. Nevertheless, their strength initially appeared substantial in both countries. In Turkey, the military's preferred candidate was defeated, but the victor, Turgut Özal, had been the military's economic czar during the first two years of authoritarian rule. In Thailand, all the main parties maintained links to military factions. Those with the most explicit links to the restrictive political agenda of the military, the *Chart Thai* and the *Prakchacorn Thai* parties, received over a third of the popular vote in the 1983 parliamentary elections.

Candidates who campaigned on the achievements of the old regime fared worse in the crisis cases. As incumbent, Marcos garnered a surprising share of the popular vote in the Philippines' presidential election of 1986, but by the 1987 elections for the lower house no organized political force openly represented continuity with the Marcos era. In Uruguay's 1984 presidential election the candidate identified most closely with the military regime won less than 10 percent of the vote. In Argentina and Peru, right-wing political parties identified with the military's economic project gained only a handful of votes.

Continuist parties were larger in Bolivia and Brazil, but still weaker than in the noncrisis countries. In Bolivia, the ex-dictator Hugo Banzer eventually emerged as a major contender for the presidency, but in part because his party was not associated with the military factions that ruled so disastrously in the early 1980s. He gained less than 20 percent of the vote in the 1979 and 1980 elections and finished third behind candidates of the left and center.

In Brazil, where the president was chosen by an electoral college in 1985, surveys indicate that Paulo Maluf, the promilitary candidate, was supported by only 10 percent of the public. In the 1986 congressional election the conservative Liberal Front (PFL) won a respectable 24 percent of congressional seats, and the opposition PMDB itself incorporated many candidates and politicians who had formerly supported the military government. But they survived in large part because they joined the opposition. The loyalist faction (the PDS) won only about 7 percent of the vote, and even the combined PFL-PDS total was generally lower than support for continuist parties in the noncrisis cases.

The political isolation of continuist political forces in the crisis cases was mirrored in the relative strength of left and populist parties. In Bolivia, Peru, Brazil, and Uruguay, parties with socialist or Marxist ideologies reemerged as important political forces. In new congresses elected in Peru and Uruguay, the share of seats held by the socialist coalition in the legislature ranged from 14 to about 30 percent, well above the totals of their conservative competitors. In Bolivia, the left coalition backing Hernan Siles was the largest political force in the early 1980s. In Brazil, the left's electoral share was smaller, but two leftist politicians, Leonel Brizola and Luiz Inacio Lula da Silva, seriously contended the presidency.

The strength of antimarket parties in the crisis cases is still more impressive if we include nonsocialist populist or "movement" parties such as the Peronists in Argentina and the Apristas in Peru. The Peronists and Apristas had moved toward the right in terms of their relationship to other political forces, but each continued to make statist and distributive appeals that were sharply antithetical to market-oriented reforms.

In a number of crisis cases, the relative strength of the left was coupled with a fragmentation of the party system. At the onset of the democratic period in Peru, Brazil, and Bolivia, there were between three and five effective parties,<sup>34</sup> but the data on the number of effective parties tend to understate the actual degree of fragmentation. The left coalitions in both Bolivia and Peru were deeply divided internally, and a bitter internal power struggle rent APRA in Peru following the death of its founder, Haya de la Torre, in 1980. In Brazil, parties were weakened internally by the federalist constitution and open list PR system, which reinforced the power of local bosses and state governors at the expense of national party leaders. Thus, although the opposition PMDB won a congressional majority in 1986, it began to splinter rapidly in subsequent years.

Finally, although deeply rooted support for the Radicals and Peronists appeared to create a durable two party structure in Argentina, both parties remained divided internally, and small provincial parties held the balance of power in the legislature. These alignments created serious problems for Alfonsín's administration, although over time both major parties moved toward the center with reference to economic

reform issues.<sup>35</sup> Similar patterns of internal party fragmentation and weak party discipline were visible in the Philippines as well.

In the noncrisis cases, the left was weaker, the programmatic stance of the opposition much more restrained, and the extent of electoral polarization correspondingly limited. Chile provides the most dramatic instance. During the early 1970s the historic antagonisms between the Marxist left and other parties produced one of the most polarized party systems in the world.<sup>36</sup> By the late 1980s, however, most of the left accepted market reforms and formed part of a coalition headed by centrist Christian Democrats. During the 1990s previously strong centrifugal pulls gave way to competition between this moderate center-left bloc and the conservative right.

In Korea and Turkey, there were also significant constraints on electoral polarization. Korea experienced bitter industrial conflicts and extensive mobilization by radical students following the transition, but party forces converged on the center-right. Closest to a left party in the 1987 and 1988 elections was Kim Dae Jung's Peace and Democracy Party (PDP), which gained about 25 percent of the presidential vote. But to count Kim Dae Jung's party as "leftist" is questionable, in part because its appeal was as much regional as ideological, in part because its program was surprisingly conservative. Kim Young Sam's opposition had even shallower ideological roots, and in 1990 he entered a grand conservative coalition with the ruling party.

Distributive and religious conflicts escalated in Turkey during the late 1980s as restraints on political contestation eased. However, in the early years of the transition constitutional restrictions and support for Özal constrained tendencies toward fragmentation and polarization. When bans on the left eased in the mid 1980s, two moderate social democratic parties, Ecevit's Social Democratic Party and the Social Democratic Populist Party, reentered the political fray. But their total vote share still lay well below support for ANAP and other conservative parties. Electoral thresholds and the disproportional nature of the modified PR system limited their parliamentary gains. In the municipal elections of 1989 and the general election of 1991 the biggest winners were the conservative opponents of ANAP, the True Path and Republican parties. ANAP finally fell to a coalition that included both the center-left SHP and the more conservative, rural-based True Path Party. The possibility of serious political polarization reemerged only in the mid 1990s with the strengthening of Islamicist parties.

Thailand stands out as the most fractionalized of the systems reviewed here. Despite a new electoral law in 1981 aimed at raising the threshold of representation, the number of effective parties in the 1983 legislature (5.7) was very high. But the apparently fragmented system masked a single dominant coalition composed of three major parties. None of the contenders could be considered leftist, Marxist, or populist.<sup>37</sup>

These cross-national differences in the terms of transition and the initial alignment of political forces were not immutable. In Argentina, the Philippines, Bolivia, and Uruguay, steps taken by new democratic governments to dismantle military prerogatives led to dangerous military backlashes, underlining the limits on the power of new democratic governments. Conversely, in all four noncrisis cases nondemocratic enclaves and unreformed military establishments provided continuing targets for political protest. Over time, the power of these authoritarian enclaves weakened, and restrictions on political participation fell. However, while political and institutional circumstances changed over time, they remained significant in the politics of the transition.

### **Consequences of Crisis III: The Political Economy of New Democracies and “Consolidation”**

The elite bargaining highlighted by Rustow is an element in all transitions. We have sought to place strategic interactions in their wider socioeconomic context. This context has important implications for the policy dilemmas, political institutions, and alignments of new democratic governments and the longer-term prospects for stability and “consolidation.” We reject the argument that social interests and relations determine the prospects for democracy.<sup>38</sup> However, the opportunities for political elites to mobilize support or opposition in new democracies will continue to depend on how economic policy and performance affect both the level and distribution of income across different social groups, and economic performance over time can affect preferences about democratic institutions, particular policies, and incumbents.

First and most obviously, the economic legacy of authoritarian rule determines the policy agenda of its democratic successors. New democratic governments that come to power in the wake of crises confront a difficult and politically unpleasant menu of economic policy choices, at the center of which stand macroeconomic stabilization and wider structural adjustment measures.<sup>39</sup> The transition to democracy may in some respects ease the task of reform. New democratic leaders can exploit honeymoons and trade political gains for short-run economic losses; several eastern European countries provide examples of these opportunities. However, the transition itself raises expectations that government will respond to new political constituencies. Moreover, policy reform is difficult precisely because economic problems are more acute and demands for short-term economic relief more widespread.

Economic evidence from middle income developing countries provides broad support for these expectations. Under the first democratic administrations in the crisis cases, average fiscal deficits were almost twice the level of the pretransition

period, whereas in the noncrisis cases deficits remained comparatively low. Not coincidentally, four of the crisis cases—Argentina, Bolivia, Brazil, and Peru—experienced hyperinflation during their first democratic governments. Although new democratic governments inherited adverse economic conditions, policy actions and stalemates after the transition typically contributed to further economic deterioration.<sup>40</sup>

In the noncrisis transitions, new democratic governments faced a different, but not necessarily less serious, agenda of policy reforms. Macroeconomic adjustments were less pressing, but even the most economically successful authoritarian governments left problems of income inequality, poverty, and political exclusion that could become explosive under democratic rule.

Among the noncrisis transitions, the political consequences of a large “social deficit” were especially severe in Turkey, where real wages fell dramatically over the 1980s. By the early 1990s organized labor once again became militant, social and religious tensions escalated, and the political system was gripped by a new economic crisis. But industrial relations were also a source of social conflict in Korea, as were income and regional disparities in Thailand. These problems were not intractable; Chile’s center-left government made impressive headway in reducing poverty while maintaining macroeconomic stability. Even there, however, the continuing power of interests linked to the old regime placed limits on the extent to which the new democratic government could address the economic demands of previously excluded social groups.

Transition paths also affect the evolution of the political institutions through which economic demands and policy dilemmas are addressed. In the noncrisis cases, new democratic governments had to contend with the persistence of nondemocratic enclaves, the continuing autonomy of the military establishment, and close links between political and business elites, all of which raised questions about the full extent of democratization. Yet efforts to address these political legacies in an aggressive fashion risked unraveling the democratic bargain, inviting right wing reprisals, and replaying coup poker.

The crisis cases exhibited a different set of institutional dilemmas. Pressing economic circumstances encouraged executives to concentrate authority, even to the extent of ruling by decree. This pattern has been particularly evident where very high inflation requires complex stabilization packages. Centrifugal forces within the party system, partly a result of crisis itself, increased the difficulty of sustaining electoral or legislative support and strengthened the incentives for executives to govern autocratically.

The normative evaluation of such behavior is tricky. In profound economic crises, particularly those characterized by hyperinflation, democratic institutions may well be undermined by the failure to take swift and effective action. However, the risks associated with *decretismo* are equally grave. In the absence of

institutionalized consultation with legislators and interest groups, decision makers are deprived of feedback that may be essential in correcting mistakes. Reforms are more exposed to popular backlash and rapid reversal. *Decretismo* in economic policymaking also reinforces the broader tendency toward plebiscitarian rule, what Guillermo O'Donnell has called "delegative democracy."<sup>41</sup>

The connection between the politics of new democratic governments and the long-term prospects for consolidation must be approached with extreme caution. Consolidation will be affected by political choices that modify the initial terms of the transition, as well as international and domestic developments beyond the control of political leaders. Because of the many causal factors that impinge on the stability of democratic rule, we are skeptical of the emphasis placed on characteristics of the transition, such as pact-making, for the prospects of stable democratic rule.

Nonetheless, political and economic developments during the first two or three democratic governments constitute the first links in a longer causal chain that connects the initial transition to the elusive "long run." If our theory of authoritarian withdrawals has merit, it should also be applicable to the stability of democratic regimes: consolidation should hinge to some extent on the capacity to implement sustainable growth-oriented policies. Economic expansion eases the trade-offs associated with the organization of political support, in part by permitting compensation to negatively affected groups. More generally, growth can reduce the conflicts resulting from inequality or other social cleavages and can thus mute the tendency to political alienation, polarization, and destabilizing social violence.<sup>42</sup>

During the 1980s and 1990s these expectations would appear to be undermined by the survival of the vast majority of new democratic governments even where economic performance was poor. Their survival was attributable to a variety of factors, including the collapse of the Soviet Union and a corresponding decline in western willingness to back anticommunist authoritarian governments. In many countries, the recent memory of inept and/or repressive authoritarian rule also helped to keep elected governments in place in the face of substantial economic adversity.

However, it is important to distinguish between regimes that are held in place by international pressures and short-term political contingencies and those that rest on widespread support. Democratic governments enjoy advantages that authoritarian regimes lack; disaffected citizens can replace incumbents rather than challenge the regime itself. However, the prolonged failure of elected governments to address effectively challenges of growth and equity are likely to erode the depth and stability of support for democracy.

It is easy to sketch a stylized model of countries experiencing prolonged economic distress, in which constitutional institutions are drained of their

democratic content even in the absence of formal regime change. Such a cycle would begin with developments already evident in Peru, Brazil, Russia, and other developing and formerly socialist countries: an increase in political cynicism and apathy, decline in effective political participation, and inability of the political system to generate stable, representative ruling coalitions. Next, crime, civil violence, and organized revolutionary or antirevolutionary ("death squad") activity contribute to a gradual erosion of the substance of democratic rule through intermittent repression of opposition groups, emergency measures, and declining integrity of legal guarantees. Finally, though still short of a formal transition to authoritarian rule, electoral institutions are rendered a façade. Elected officials become subject to the veto power of military elites or little more than fronts for them.

In some cases, such as Peru, this process eventually reversed democracy, and we can not rule out the possibility of setbacks elsewhere. A general erosion of faith in the capacity of democratic governments to manage the economy would increase the appeal of authoritarian solutions, among not only elites but also mass publics. Leaders or parties with plebiscitarian or openly authoritarian ambitions could be elected. Economic decline might also reverse democratization more indirectly by fostering increased crime, strikes, riots, civil violence, and polarization between extreme left and right groups. The deterioration of social order and increasing social polarization provide the classic justification for military intervention. Where support for authoritarian rule is absent, the state could collapse entirely as an organization with a credible claim to a monopoly of force.

In short, economic policy and performance will condition the future of democracy as they did the transitions.

## NOTES

This article draws on Stephan Haggard and Robert Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995), chs. 1, 4, 5, and 10. Our thanks to Richard Snyder for his comments on an earlier draft.

1. Dankwart A. Rustow, "Transitions to Democracy: Toward a Dynamic Model," *Comparative Politics*, 2 (April 1970), 337-63.

2. Rustow did not reject the importance of social structural variables; indeed, he saw an increase in social polarization as a key antecedent to the emergence of democracy. *Ibid.*, pp. 352-55.

3. Guillermo O'Donnell, *Modernization and Bureaucratic-Authoritarianism* (Berkeley: Institute for International Studies, 1973), and the subtly different "Reflections on the Patterns of Change in the Bureaucratic-Authoritarian Regimes in Latin America," *Latin American Research Review*, 13 (1978), 3-38. Also, David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979).

4. Juan J. Linz and Alfred Stepan, eds., *The Breakdown of Democratic Regimes* (Baltimore: The Johns Hopkins University Press, 1978).

5. Arturo Valenzuela, *The Breakdown of Democratic Regimes: Chile* (Baltimore: The Johns Hopkins University Press, 1978).
6. Juan J. Linz, *The Breakdown of Democratic Regimes: Crisis, Breakdown, Reequilibration* (Baltimore: The Johns Hopkins University Press, 1978), p. ix.
7. Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991).
8. Guillermo O'Donnell and Philippe C. Schmitter, "Tentative Conclusions about Uncertain Democracies," in Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead, eds., *Transitions from Authoritarian Rule* (Baltimore: The Johns Hopkins University Press, 1986).
9. *Ibid.*, p. 5.
10. See Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (New York: Cambridge University Press, 1991), ch. 2, and "Games of Transition," in Scott Mainwaring, Guillermo O'Donnell, and Samuel Valenzuela, eds., *Issues in Democratic Consolidation* (Notre Dame: University of Notre Dame Press, 1992).
11. Donald Share and Scott Mainwaring, "Transitions through Transaction: Democratization in Brazil and Spain," in Wayne Selcher, ed., *Political Liberalization in Brazil: Dilemmas and Future Prospects* (Boulder: Westview Press, 1986).
12. Huntington, p. 107, ch. 3.
13. Giuseppe Di Palma, *To Craft Democracies: An Essay on Democratic Transitions* (Berkeley: University of California Press, 1990).
14. Michael G. Burton and John Higley, "Elite Settlements," *American Sociological Review*, 52 (1987), 295–307; John Higley and Richard Gunther, eds., *Elites and Democratic Consolidation in Latin America and Southern Europe* (Cambridge: Cambridge University Press, 1992).
15. See, for example, Dietrich Rueschemeyer, Evelyn Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992). On the impact of authoritarian institutions on democratization, see Karen Remmer, "Redemocratization and the Impact of Authoritarian Rule in Latin America," *Comparative Politics*, 17 (April 1985).
16. Terry Lynn Karl, "Dilemmas of Democratization in Latin America," *Comparative Politics*, 23 (October 1990), 1–22.
17. Barbara Geddes, "New Democratic Institutions as Bargains among Self-Interested Politicians," paper presented to the American Political Science Association meetings, Washington, D.C., 1990.
18. Huntington, for example, entitles chapter 3 "How: Processes of Democratization."
19. O'Donnell and Schmitter, p. 39.
20. For example, the papers for O'Donnell, Schmitter, and Whitehead, eds., *Transitions from Authoritarian Rule*, were first presented in 1979–81 and updated only through 1984.
21. See Ernest Bartell and Leigh A. Payne, eds., *Business and Democracy in Latin America* (Pittsburgh: University of Pittsburgh Press, 1995); and Jeffrey Frieden, *Debt, Development and Democracy: Modern Political Economy and Latin America* (Princeton: Princeton University Press, 1991).
22. O'Donnell and Schmitter, pp. 15–17; Przeworski, pp. 51–94.
23. See, for example, Suchit Bungbankorn, *The Military in Thai Politics, 1981–86* (Singapore: Institute of Southeast Asian Studies, 1987); Chai-Anan Samudavanija and Sukhumbhand Paribatra, "Thailand: Liberalization without Democracy," in James Morley, ed., *Driven by Growth: Political Change in the Asia-Pacific Region* (Armonk: M. E. Sharpe, 1993), 128–34.
24. See David Pion-Berlin, "Crafting Allegiance: Civilian Control and the Armed Forces in Uruguay, Argentina, and Chile," unpublished ms.
25. See John H. McFadden, "Civil-Military Relations in the Third Turkish Republic," *Middle East Journal*, 39 (Winter 1985), 69–85; Henri J. Barkey, "Why Military Regimes Fail: the Perils of Transition," *Armed Forces and Society*, 16 (Winter 1990), 169–92.

26. See Chung-in Moon and Mun-Gu Kang, "Democratic Opening and Military Intervention in South Korea: Comparative Assessment and Implications," in James Cotton, ed., *Korean Politics in Transition* (New York: St. Martin's, forthcoming).
27. Alfred Stepan, *Rethinking Military Politics: Brazil and the Southern Cone* (Princeton: Princeton University Press, 1988), pp. 114–16.
28. *Ibid.*, pp. 86–88.
29. See Bolivar Lamounier, "Brazil: Toward Parliamentarism?," in Juan J. Linz and Arturo Valenzuela, eds., *The Failure of Presidential Democracy: The Case of Latin America*, vol. 2 (Baltimore: The Johns Hopkins University Press, 1994), p. 205.
30. See Ergun Özbudun, "The Post-1980 Legal Framework for Interest Group Associations," in Metin Heper, ed., *Strong State and Economic Interest Groups: The Post-1980 Turkish Experience* (Berlin: Walter de Gruyter, 1991), pp. 41–54.
31. Asia Watch, *Retreat from Reform: Labor Rights and Freedom of Expression in South Korea* (New York: Asia Watch, 1989), pp. 7–26.
32. Eduardo A. Gamarra and James M. Malloy, "The Patrimonial Dynamics of Party Politics in Bolivia," in Scott Mainwaring and Timothy Scully, eds., *Building Democratic Institutions: Party Systems in Latin America* (Stanford: Stanford University Press, 1995), p. 412.
33. Timothy R. Scully, "Reconstituting Party Politics in Chile," in Scully and Mainwaring, eds., pp. 124–25.
34. See Markku Laakso and Rein Taagepera, "The Effective Number of Parties: A Measure with Application to Western Europe," *Comparative Political Studies*, 12 (April 1979), 3–27. For complete data, see Haggard and Kaufman, *The Political Economy of Democratic Transitions*, Table 4–3, pp. 140–47.
35. Ronald H. McDonald and J. Mark Ruhl, *Party Politics and Elections in Latin America* (Boulder: Westview Press, 1989), p. 161.
36. Valenzuela, *The Breakdown of Democracy*; Ruth Berins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991).
37. Richard Doner and Anek Laothamatas, "The Political Economy of Adjustment in Thailand," in Stephan Haggard and Steven B. Webb, eds., *Voting for Reform: The Politics of Adjustment in New Democracies* (New York: Oxford University Press, 1994).
38. For political economy approaches to democratization, see Frieden, *Debt, Development and Democracy*, and Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy*. Rueschemeyer, Stephens, and Stephens, pp. 12–39, provide a comprehensive review of the modernization literature on democratization. One issue we do not address is the role of ethnic homogeneity and heterogeneity in transition processes. See Donald Horowitz, *A Democratic South Africa? Constitutional Engineering in a Divided Society* (Berkeley: University of California Press, 1991).
39. See Stephan Haggard and Robert Kaufman, eds., *The Politics of Adjustment: International Constraints, Distributive Politics, and the State* (Princeton: Princeton University Press, 1992).
40. For further empirical detail, see Haggard and Kaufman, *The Political Economy of Democratic Transitions*, ch. 6.
41. Guillermo O'Donnell, "Delegative Democracy?," East-South Systems Transformation, University of Chicago, Working Paper No. 21; Luiz Carlos Bresser Pereira, Jose Maria Maravall, and Adam Przeworski, *Economic Reforms in New Democracies* (New York: Cambridge University Press, 1993), p. 208.
42. This supposition is implicit in quite contending theoretical approaches to social violence. For empirical tests and reviews, see William H. Flanigan and Edwin Fogelman, "Patterns of Political Violence in Comparative Historical Perspective," *Comparative Politics*, 3 (October 1970), 1–20; and

*Stephan Haggard and Robert R. Kaufman*

Arthur A. Goldsmith, "Does Political Stability Hinder Economic Development? Mancur Olson's Theory and the Third World," *Comparative Politics*, 19 (July 1987), 471–80. However, Olson argues that rapid growth can be destabilizing because it produces shifts in the relative position of different economic sectors and income groups. Mancur Olson, "Rapid Growth as a Destabilizing Force," *Journal of Economic History*, 23 (December 1963), 529–52.