

# Does Poverty Hinder Democracy?

Jun Ma

Question: "Poverty is a principal--probably the principal--obstacle to democratic development. The future of democracy depends on the future of economic development. Obstacles to economic development are obstacles to the expansion of democracy." Refuse, support, or qualify the validity of this statement.

## Introduction

The given question is a statement made by Samuel P. Huntington in his famous article "Democracy's Third Wave". Actually, it seems to be a widely accepted thesis among common people and most political scientists. Perhaps that is why Huntington did not give a detailed argument but somewhat took this as granted. Nevertheless, a very broad but unexplored generalization is used to support this statement in his article: "Most wealthy countries are democratic, and most democratic countries--India is the most dramatic exception--are wealthy."

My view, as will be developed below, is that ~~given that~~ <sup>if</sup> other variables remain constant, the level of economic development has a strong positive relationship with the existence of democratic politics. However, the condition of "other variables remain constant" does not always hold. In many cases, other variables play dramatic roles so that a country can enjoy democracy even with a very low economic base. Also, authoritarianism can exist in relatively wealthy countries, and even endure for a long time.

Data analysis will show that--in terms of the dynamics of democracy--within a wide range of developmental levels, different countries at different levels seem to have similar probabilities to move towards or away from democracy. Poverty, as an indicator of economic development level, therefore, is not evidently the principal obstacle to democratic development in many cases. Huntington's statement, in this sense, should be interpreted carefully, or should be well restricted with certain conditions.

## I. Poverty and Economic Development

According to one of the measures suggested by the World Bank, the poverty line is defined as the expenditure necessary to maintain a person's minimum nutrition and other basic necessities. In a common parlance, the poverty line is the lowest living standard that enable a person to live. Those people with per capita income below this threshold are said to be in poverty.

Poverty can be viewed as an indicator of the economic development level of a country. How many people in a country are in poverty depends on many factors, of which the most important ones are: (1) a country's economic development level, i.e., how much the economy is able to produce as a whole. If annual per capita GNP of a country is below \$50, it is very likely that most of the people would be in poverty no matter what kind of income distribution policy the government adopts; (2) income distribution--a country with severe inequality in income distribution is likely to have more people in poverty.

The above analysis suggests that poverty can be the result of a low development level, unequal income distribution, or both. It shows up as a sustained situation if the country with poverty does not have a satisfactory economic growth rate.

It seems that Huntington in his article views poverty as the synonym of low development level, which is an oversimplified understanding. Fortunately, this is not seriously problematic for the general study being conducted here, since for most of the developing countries low GNP per capita is the major factor responsible for poverty. Furthermore, since development level is possible to be measured with existing data, let us turn to look at the relation between development level and political democracy.

## II. Hypothesizes and Testing

With the above interpretation, our questions suggest three hypothesizes which are testable by statistical methods. These hypotheses are:

(1) A poor economy has less democracy. This is another form Huntington's statement in our question. Viewing this statistically, this means a positive relation between the level of economic development and the degree of democracy.

(2) Generally democratic regime can only emerge after the nation achieved a certain level of economic development--what Huntington called the "transition zone". The original version of the statement in Huntington's article is: "In poor countries democratization is unlikely; in rich countries it usually has already occurred. In between there is a political transition zone: countries in this middle economic stratum are those most likely to transit to democracy, and most countries that transit to democracy will be in this stratum."

(3) Poorer economy has stronger obstacles to democratization than richer country. This is interpreted from the last part of the given question. Note this is different from hypothesis (1) because the former is in terms of dynamics of democracy while the latter is in terms of static of democracy. In other words, (3) implies a

positive relation exists between the level of economic development and pro-democratic political change, rather than the existence of democracy.

In order to test these hypothesis, an econometric model is constructed as follow:

$$\text{Rate of Freedom} = a + b \cdot \text{LOG}(\text{GNP/population})$$

Rate of Freedom is the best quantitative measure we can find so far representing the level of democratic development. The data source is The Survey 1991, prepared by Freedom House. Since substantial surveys and studies have been done by the authors before all the countries were ranked in that report, we have confidence in these data. For computational simplicity, I add the Political Rights and Civil Liberties in the Survey and define the sum as our measure of Rate of Freedom. Data of GNP/population, i.e., GNP per capita, are from World Bank Development Report 1990. Those countries that have only GNP data or data of Rate of Freedom are not included in our calculation. The reorganized data are shown in table 1. An OLS regression is conducted and the result are as follow:

estimate of a = 21.15  
estimate of b = -4.42  
T statistics of a = 7.47  
T statistics b = -9.99  
R Square = 0.5149

The result shows a strong negative relation between rate of freedom and per capita GNP (note it is equivalent to that GNP per capita is positively related to level of freedom because the rate of freedom in the report is rated descending from nations with less freedom to nations with more freedom), which confirmed our first hypothesis. The coefficient is significantly negative in 99% of significant level. That means, based on the data, we have 99% confidence to say that the relation is negative. The correlation coefficient, R square, is 0.5149, which means that 51% of the change of rate of freedom can be explained by the change of GNP per capita.

One interesting feature of the model is that the independent variable in the equation is not GNP per capita, but LOG of GNP per capita. This specification is confirmed after we tried linear, LOG, and some other specifications. The linear model with GNP per capita as explanatory variable gives a correlation coefficient as low as 0.3689, and the coefficient is less significant than the LOG specification model. Thus we can conclude that the LOG model behaves better than the linear model. This can be seen in figure 1, which gives us the impression that the economic development is not linearly proportional to Rate of Freedom. All levels of the Rate of Freedom are scattered evenly in the range of low GNP per capita (from \$100 to \$4000), which means all kinds of free, partly free, and not free regimes can be found in this range; with several

exceptions, merely low Rate of Freedom show up in the range of higher level of GNP per capita (higher than \$4000), which means most of rich countries have already been democratized.

Does this feature agree with our second hypothesis, or Huntington's "transition zone" thesis? The answer is no. Showing it in a graph, Huntington's thesis implies a fitted curve which move horizontally first in the range of "poor", then fall sharply horizontal in the "middle economic stratum", and finally become horizontal again in the range of "rich". As a matter of fact, the real fitted curve (figure 2) with our data has an opposite moving direction: it goes down sharply first in the poor and middle income range--poor range is defined from \$100 to \$1000 GNP per capita, and middle income is defined from \$1000 to \$4000 GNP per capita--then turns to an horizontal shape in the upper range.

What all these two figures says is that there does exist a positive relationship between income level and degree of democracy. However, there neither exists a strict middle stratum in which developing countries will surely move to democracy, nor is there such a strict middle stratum in which democratic change can only happen. Many poor countries below the stratum have already moved toward democracy to various extent, as many middle income countries did. Some middle income countries, however, is still staying the nondemocracy world together with many poor countries.

This third hypothesis is tested by figure 3, which gives the relation between "change of Rate of Freedom" and GNP per capita. In the left part of the graph, where anti-freedom movement occurs (-1 in X axis), countries can be either poor or middle income. In the right part, where pro-freedom movement occurs (with +1 in X axis), countries can also be both cases. Between these two are the countries without change in freedom record. These countries can be in any level of economic development.

In table 1, there are 25 countries changed there rate of freedom--the sum of political rights and civil liberties. Among those that improved their records, Algeria, Hungary, Chile, South Africa, Gabon are middle income countries (Czechoslovakia and Poland are in this category too, but not listed in our table since no corresponding GNP data are available), Benin, Congo, Haiti, Madagascar, Mali, Niger, Nigeria, Tanzania, Zaire are low income countries. Among those who declined their rates, Argentina, Brazil, Mexico, Peru, Tunisia are middle income countries, Guatemala, Indonesia, Pakistan, Papua New Guinea, Philippines, Uganda are low income countries.

It is obvious that no clear line of economic development level can be drawn between those "has weak obstacles" and those "has stronger obstacles". Both poor countries and middle income countries can enjoy a pro-democratic change, or suffer from a anti-democratic change, and, probably more important, poor countries

with democratic change are not exceptional cases, nor do anti-democratic change in middle income countries. So far, the third hypothesis is rejected. No strong evidence suggest that a middle income countries is more likely, or would encounter less obstacle to move towards democracy than poor countries.

### III. Why Poverty Can Co-exist with Democracy

The above data analysis can be summarized in two conclusions: first, poor countries have less democracy--note this is in terms of static state. Second, poor country do have possibility to move towards democracy--note this is in terms of dynamics. This part tries to explain the mechanism behind the conclusions.

It is relatively easy to explain why very few poor countries have democracy. A number of characteristics of poor population in the underdeveloped economies can be found as the reasons: (1) There is little demand for democracy from the large poor population. Poor education and low literacy rate make them difficult to understand the nature of democracy, how it works and what is the benefit. Giving up votes or selling votes during election are common events in these areas. (2) Little access to information prevent the poor from participating political activities. (3) Some tradition in poor community tends to isolate their people from reaching outside ideology and technology. (4) For the poor, providing more economic opportunity such as investment in infrastructure, agricultural credit, and social service such as health care and education, would have direct impact on reducing poverty, whereas democracy seems help little in poverty alleviation. Comparing the performance of China and India in poverty alleviation, one can see the poor population can be dramatically reduced in a totalitarian regime by applying radical measures of income redistribution and this is almost impossible in a capitalist country.

Even democracy is provided, the poor may not take advantage of it. In another words, democracy is a "luxury good", which are not enjoyable by the poor people. However, this dose not preclude the possibility of democratic movement in poor countries, even in countries with extremely low income per capita. The basic reason is that not every person is poor in a poor country. Most poor country <sup>have</sup> ~~has~~ <sup>some</sup> relatively developed urban areas where wealthy business people, well educated professionals and middle income residents can be found. These people <sup>have</sup> already come to the stage of requesting democracy. Even those poor people living in urban areas have more consciousness of civil rights and political freedom than the rural poor, taking advantage of the urban cultural and advanced information dissemination system.

Almost in all the developing countries, democratic movement is an affair of only a very small percentage of the population, basically in urban areas. Demonstration effects from Western

Democratic nations may easily influence these people because of the better communication facilities and more chance of international business. Democracy is requested, created, and sustained by this population. They are also the part of the people who directly enjoy the benefit of democracy though it will be diffused to the rural areas gradually. During many historical revolutions, the rural poors even don't know what have happened in the cities. In fact, the group of elite who promote the democracy, may use the poors but do not rely on the them. That is why, India, though has the largest poor population in the world, developed one of the most sustained democracy in the Third World. In this sense, poverty, especially rural poverty, is not a major impediment to democratic movement.

While urban middle class and the group of elite may play an important role in evolve democracy movement despite the existence of large scale poverty in a poor country, other variables, like cultural or religion, may build strong obstacles to democracy even in middle income countries. Middle Eastern countries are the best examples. Iran, Iraq, Saudi Arab and United Arab Emirates, all are classified as middle or high-income countries, with per capita GNP ranging from \$5500 to \$15770 in 1988. Their rates of freedom, however, still ranges from 11 to 14 (on the 14 points base), and don't show any sign of improvement in the coming years. Islam, which links all kinds of political participation to religious affiliation and demands that ulema have a decisive vote in articulating all governmental policies has long been the principal obstacle to democatrization in these countries.

Democratization

#### IV. Conclusion Remarks

If one rely on Huntington's judgement, the future of Third World Democracy would be too pessimistic to be accepted. With a annual growth rate of 3%, which is about the average in the Third World today, it takes a country currently with \$150 per capita GNP one hundred years to reach a level of \$2882 per capita GNP. Should she be so patient to wait for such a long period to matura the "precondition" i.e., enter the category of "transition stratum", of democracy? My prediction is no.

Albania, the poorest European country, has recently given-up the communist regime and one party system, thanks to the strong spillover effects of their neighbor's recent "upheaval."

Subsahara Africa, the poorest area in the world, has been valued by Hungtinton as the area which democratic "prospective are not encouraging in 1990s". However, eight countries in this region incresed their reats of freedom in 1990, and shows a strong tendency of continue moving towards democracy in the coming years. The snowballing effects trigerd by the Third Wave largely offseted the poverty obstacle in these poor areas.

In many poor Asian countries, such as China, North Korea, Burma, Indonesia, human mortality of the old generation leaders is likely to create the possibility of important changes in this decades.

It is not over optimistic to predict that the next one or two decades would be the era of transiton towards democracy for most of the developing countries. Removal of obstacals, mainly those other than "poverty", ought to recieve more attention since these changes could be more critical to democracy and more easy to be conducted conduct than poverty alleviation.

Table 1. Income Per Capita and Rate of Political Freedom in 105 Countries

Country	FREEDOM RATE						
	GNP	RATE	P	CL	CH	PR +CL	LOG GNP (1990-1991)
	PER CAP (1988)						
Algeria	2360	2.7	4	4	1	8	3.37
Argentina	2520	0	1	3	-1	4	3.40
Austrilia	12340	1.7	1	1	0	2	4.09
Austria	15470	2.9	1	1	0	2	4.19
Bangladesh	170	0.4	5	5	-1	10	2.23
Belgium	14490	2.5	1	1	0	2	4.16
Benin	390	0.1	6	4	1	10	2.59
Bolivia	570	-0.6	2	3	0	5	2.76
Botswana	1010	8.6	1	2	0	3	3.00
Brazil	2160	3.6	2	3	-1	5	3.33
Burkina Faso	210	1.2	6	5	0	11	2.32
Burundi	240	3	7	6	0	13	2.38
Cameroon	1010	3.7	6	6	0	12	3.00
Canada	16960	2.7	1	1	0	2	4.23
Central Afi	380	-0.5	6	5	1	11	2.58
Chad	160	-0.2	7	6	0	13	2.20
Chile	1510	0.1	2	2	1	4	3.18
China	330	5.4	7	7	0	14	2.52
Colombia	1180	2.4	3	4	0	7	3.07
Congo	910	3.5	6	6	1	12	2.96
Costa Rica	1690	1.4	1	1	0	2	3.23
Denmark	18450	1.8	1	1	0	2	4.27
Dominica	720	2.7	2	1	0	3	2.86
Ecuador	1120	3.1	2	2	0	4	3.05
Egypt	660	3.6	2	2	0	4	2.82
El Salvador	940	-0.5	3	4	0	7	2.97
Ethiopia	120	-0.1	7	7	0	14	2.08
Finland	18590	3.2	1	1	0	2	4.27
France	16090	2.5	1	2	0	3	4.21
Gabon	2970	0.9	4	4	1	8	3.47

Germany	18480	2.5	1	2	0	3	4.27
Ghana	400	-1.6	6	5	0	11	2.60
Greece	4800	2.9	1	2	0	3	3.68
Guatemala	900	1	3	4	-1	7	2.95
Haiti	380	0.4	4	4	1	8	2.58
Honduras	860	0.6	2	3	0	5	2.93
Hungary	2460	5.1	2	2	1	4	3.39
India	340	1.8	2	3	0	5	2.53
Indonesia	440	4.3	6	5	-1	11	2.64
Ireland	7750	2	1	1	0	2	3.89
Israel	8650	2.7	2	2	0	4	3.94
Italy	13330	3	1	1	0	2	4.12
Jamaica	1070	-1.5	2	2	0	4	3.03
Japan	21020	4.3	1	1	0	2	4.32
Kenya	370	1.9	6	6	0	12	2.57
Korea,S	3600	6.8	2	3	0	5	3.56
Lesotho	420	5.2	6	5	0	11	2.62
Libya	5420	-2.7	7	7	0	14	3.73
Madagascar	190	-1.8	4	4	1	8	2.28
Malawi	170	1.1	7	6	0	13	2.23
Malaysia	1940	4	5	4	0	9	3.29
Mali	230	1.6	6	5	1	11	2.36
Mauritania	480	-0.4	7	6	0	13	2.68
Mauritius	1800	2.9	2	2	0	4	3.26
Mexico	1760	2.3	4	4	-1	8	3.25
Morocco	830	2.3	4	4	0	8	2.92
Netherlands	14520	1.9	1	1	0	2	4.16
New Zealand	10000	0.8	1	1	0	2	4.00
Niger	300	-2.3	6	5	1	11	2.48
Nigeria	290	0.9	5	5	1	10	2.46
Norway	19990	3.5	1	1	0	2	4.30
Oman	5000	6.4	6	6	0	12	3.70
Pakistan	350	2.5	4	4	-1	8	2.54
Panama	2120	2.2	4	2	0	6	3.33
Papua New G	810	0.5	2	3	-1	5	2.91
Paraguay	1180	3.1	4	3	0	7	3.07
Peru	1300	0.1	3	4	-1	7	3.11
Phillippines	630	1.6	3	3	-1	6	2.80
Portugal	3650	3.1	1	2	0	3	3.56
Rwanda	320	1.5	6	6	0	12	2.51
Saudi arabia	6200	3.8	7	6	0	13	3.79
Senegal	650	-0.8	4	3	0	7	2.81
Singapore	9070	7.2	4	4	0	8	3.96
Somalia	170	0.5	7	7	0	14	2.23
South Africa	2290	0.8	5	4	1	9	3.36
Spain	7740	2.3	1	1	0	2	3.89
Sri Lanka	420	3	4	5	0	9	2.62
Sudan	480	0	7	7	0	14	2.68
Sweden	19300	1.8	1	1	0	2	4.29
Switziland	27500	1.5	1	1	0	2	4.44
Syria	1680	2.9	7	7	0	14	3.23
Tanzania	160	-0.5	6	5	1	11	2.20
Thailand	1000	4	2	3	0	5	3.00
Togo	370	0	6	6	0	12	2.57

Trinidad	3350	0.9	1	1	0	2	3.53
Tunisia	1230	3.4	5	4	-1	9	3.09
Turkey	1230	2.6	2	4	0	6	3.09
Uganda	280	-3.1	6	5	-1	11	2.45
U.K.	12810	1.8	1	2	-1	3	4.11
U.S.	19840	1.6	1	1	0	2	4.30
Uruguay	2470	1.3	1	2	0	3	3.39
Venezuela	3250	-0.9	1	3	0	4	3.51
Yugoslavia	2520	3.4	5	4	0	9	3.40
Zaire	170	-2.1	6	6	1	12	2.23
Zambia	290	-2.1	6	5	0	11	2.44
Zimbabwe	650	1	6	4	0	10	2.81

---

#### Reference:

Atul Kohli, Democracy and Development, Development Strategies Reconsidered, Edited by John P. Lewis and Valerriana Kallab, Overseas Development Council, Washington, D.C., 1986

Samuel P. Huntington, Democracy's Third Wave, Journal of Democracy, Vol.2. No.2. Spring 1991

Freedom House, The Survey 1991, Freedom Review, Vol.22. No.1, 1991

William A. Douglas, Inter-Relationship among Political and Economic Systems, working paper, 1990

9001/1-10

17

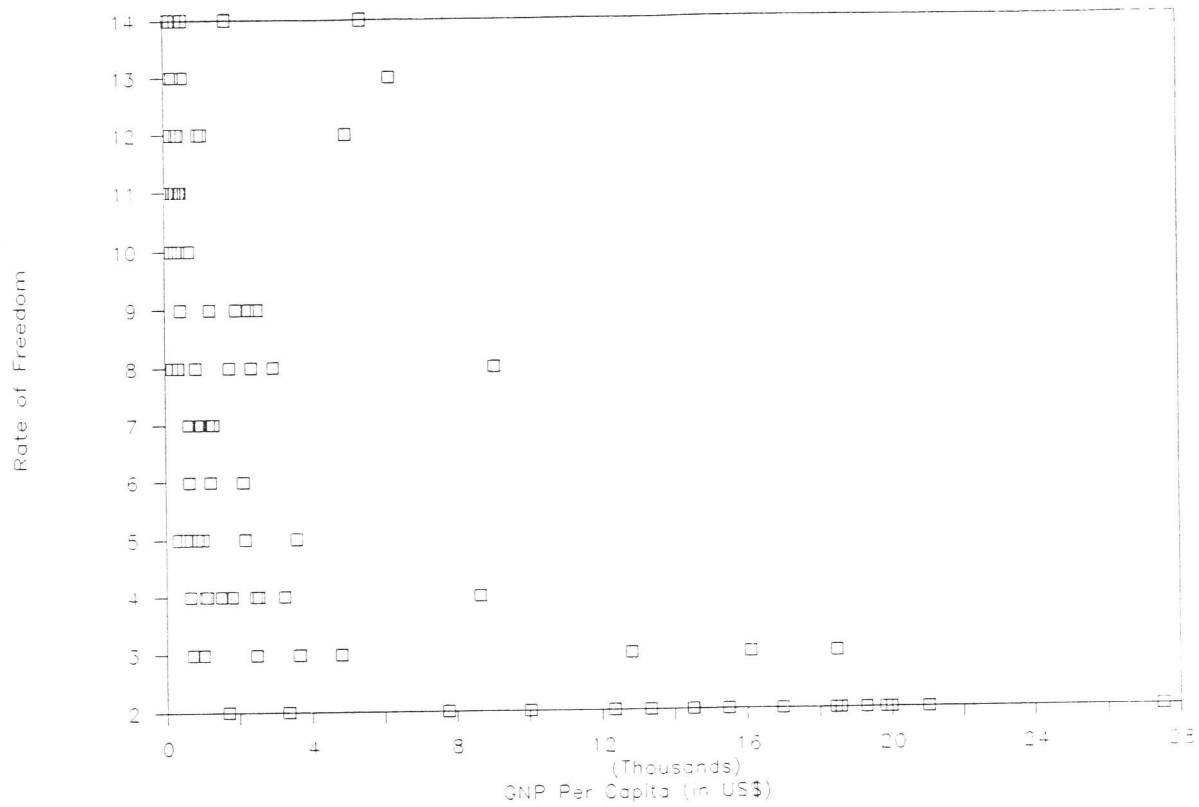


Figure 1

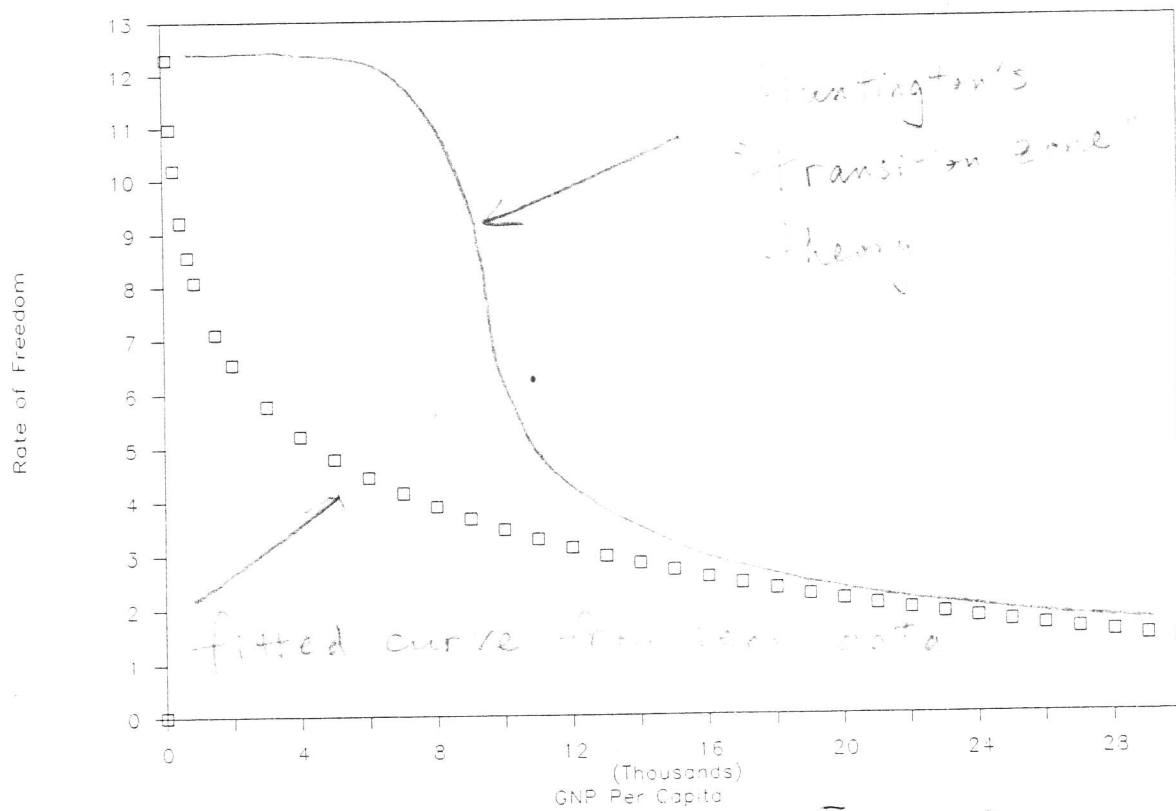


Figure 2

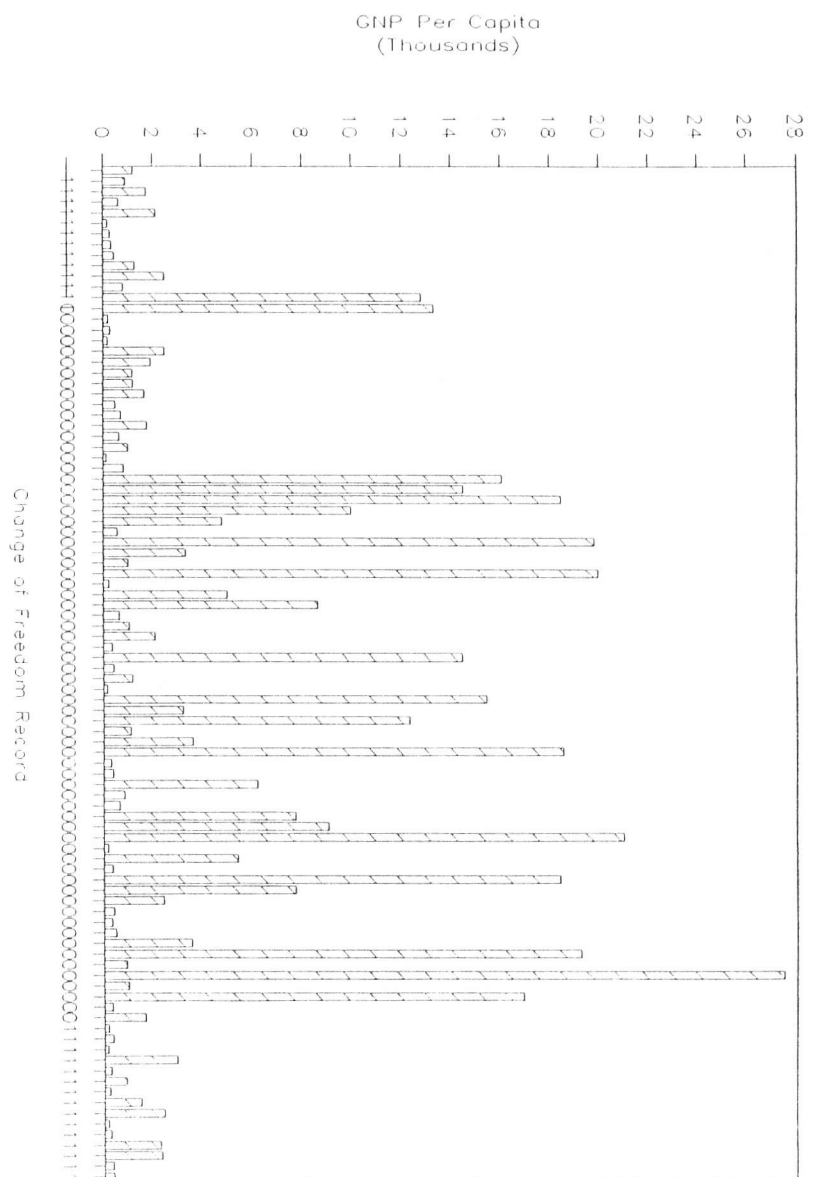


Figure 3