

DEMOCRACY'S DIMENSIONS: IMPLICATIONS & A CASE STUDY

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Democracy's Dimensions: Implications & a Case Study.

Abstract

The political economy literature often defines democracy using a single dimension, political rights. We consider several aspects of democracy neglected in this literature. First, we highlight a second explicit dimension of democracy, civil liberties, and its role in the empirical literature on democracy and development. Second, we identify potentially important economic benefits of the exercise of political rights in a democracy that are ignored in this literature, perhaps because they arise as externalities. Third, we introduce an implicit dimension of democracy often ignored by economists, legitimacy. After defining this concept carefully, we differentiate it from two similar concepts used by political scientists and illustrate many of its important implications. Finally, we use the Honduras crisis of 2009 to illustrate how relying on all three dimensions provides valuable insights for understanding critical events in the evolution of fragile democracies that may be unattainable otherwise.

Key Words: political rights, civil liberties, legitimacy, democracy and development, institutions, Honduras 2009 crisis.

JEL CODE: P16; O43; H40; P14.

For those writing on political economy topics, it has become common practice to view democracy in one-dimensional terms, primarily in terms of political rights and sometimes even more narrowly by focusing on just the free and fair elections aspect of the political rights dimension. This common practice can be quite misleading. If essential dimensions of democracy are completely ignored, it becomes difficult if not impossible to understand democracy and its evolution in general. This is especially the case in the context of fragile democracies or in transitions toward possible democratizations such as those taking place in Egypt or Libya or toward possible de-democratizations such as those taking place in Russia or Venezuela. This common practice can also cloud our understanding of long term relationships of interest to economists and political scientists such as the relationship between democracy and economic development.

While political rights are an undisputable explicit dimension of democracy, the same applies to civil liberties. At least no one disputes that many civil liberties were embedded in most countries constitutions when these started to become fashionable over 200 years ago after the American and the French Revolution. Since that time, however, civil liberties, which correspond to first and second generation human rights, have had their ups and downs in terms of whether or not they have been viewed as an essential characteristic of democracy.¹ The downs have become particularly glaring in the empirical literature on the relationship between democracy and economic development.

In the first section of the paper we provide a brief but careful review of the empirical literature on the relationship between democracy and development. This review shows that the strand of empirical literature that focuses on explaining democracy ignores civil liberties as a

¹ In political science views of democracy tied solely to the holding of free elections are referred to as minimalists and they are contrasted to an alternative insisting on "...a more ample degree of protection of political and civil liberties.", e.g., Plattner (2002, pp.56-57).

dimension of democracy. Acemoglu, Johnson, Robinson and Jared (2008) provide a prominent example in economics and Przeworski, Alvarez, Cheibub and Limongi (Ch. 2, 2000) do the same in political science. On the other hand, the strand of literature that attempts to use democracy to explain economic development while focusing on political rights occasionally uses civil liberties. Nonetheless, while relying on aggregate indexes of political rights and civil liberties, it concludes that there is no direct causal relationship. An example using political rights is Mobarak (2005); An example using civil liberties is Levine and Renelt (1992). A partial exception in this strand of literature is a recent paper that finds a robust positive and plausible causal relationship for one of the four components of civil liberties in Freedom House's aggregate civil liberties index, BenYishay and Betancourt (2010).

Civil liberties are also frequently ignored in analytical modeling of political economy issues of economically developed democracies. Lagunoff (2001) is an exception that illustrates two issues. He derives tolerance for unpopular views, which he calls civil liberty, from the preferences of rational voters under uncertainty about either the application of the views or the composition of the society. This is a clever exercise that makes the emergence of tolerance as a civil liberty an endogenous equilibrium consequence of majority rule. The first issue that it illustrates is the assumption that causality runs from political rights to civil liberties, which may or may not be consistent with historical reality. The second issue illustrated is the lack of differentiation among civil liberties, some of which are directly relevant to economic development and some of which are not.

One suspects that an important reason for the differential treatment of these two dimensions lies in greater difficulties of conceptualizing the link to democracy in the case of civil liberties than in the case of political rights. For instance, a very distinguished student of

democracy emphasizes several features as essential to understand the evolution of democracy as a process, Tilly (2007). Two of these features are: 1) breadth and equality of rights, or extent and differences in equality of citizenship (or subject) rights enjoyed by different members of society; 2) protection and mutually binding consultations, or protection against arbitrary action by the state or other citizens and rights and obligations for both agents of the state and categories of citizens. In this book Tilly relies heavily on these two features to analyze the historical evolution of democracy in some countries, for example the US, the UK and France.

In terms of the current political economy literature, however, we would associate issues in the first category with political rights whereas issues in the second category would be associated with civil liberties. We have aggregate empirical measures of these two concepts that have been available in similar forms for over 40 years thanks to Freedom House's indexes of political rights and civil liberties, for example Piano and Puddington (2006). While the conceptual distance between Tilly's first category and political rights is small, the same is not true for the distance between Tilly's second category and civil liberties. A reason for the longer distance in the case of civil liberties is the greater complexity of thought necessary to arrive at the equivalence.

With respect to political rights, the only step to establish the equivalence is to substitute political for citizenship (or subject) in Tilly's conceptualization while acknowledging that in modern democracies these are usually presumed to apply to all citizens. In the case of civil liberties, however, establishing the equivalence requires more subtle or complex thinking. For instance, what is the connection between the prevalence of the rule of law and civil liberties? This connection can be derived from Olson (2000: Chapter 10). Civil liberties correspond to the secure and well defined individual rights and the absence of predation by the state that Olson

views as necessary for modern markets to function at high levels of transactions. Thus, they play a critical role as an indicator of the essential public good provided by the state through the prevalence of the rule of law in a democracy. It is the latter concept that relates directly to protection against arbitrary action by the state and the rights and obligations of state agents with respect to citizens emphasized by Tilly.

Here we treat both political rights and civil liberties as essential explicit dimensions of democracy. Thus, in the second section of the paper we discuss important economic implications of the exercise of political rights and the provision of civil liberties in a democracy. We do so very briefly for those implications that have been addressed in the literature in order to be very explicit about important aspects that have been ignored. These neglected aspects happen to be in the nature of hidden economic or “opportunity” benefits. They have the characteristic of potential externalities to society that arise from the exercise of political rights in a democracy. Perhaps the most important ones of these hidden benefits to society are those that flow from the systematic non-violent transmission of power inter-temporally characterizing stable democracies.

In the third section of the paper we introduce a third implicit dimension of democracy, which we refer to as legitimacy or regime acceptance. Political scientists use the term legitimacy frequently in ways similar to economists’ use of the terms demand and supply. Furthermore, if they explain the term, which is not always the case, they give it a strong normative meaning such as “a moral title to rule”, for example Diamond (2008: 88). Economists usually avoid this concept, perhaps because of its normative connotation. By legitimacy I mean the willingness of the governed to accept the right of those who govern them to do so for whatever reason, regardless of its morality. We show that our concept has formal or *de jure* features as well as

informal or *de facto* features, which is also the case for most important institutional concepts as argued by North (1990) or Acemoglu, Johnson and Robinson (2005).

We compare this view of legitimacy or regime acceptance to other concepts of legitimacy available in the literature, pointing out the main similarities and differences. In contrast to demand and supply, there are far more substantial differences in the meaning of the term legitimacy as used in political science. For instance variants emphasizing juridical aspects of the concept, which stem from Schmitt (1932), have been used to justify all sorts of departures from democratic norms. These departures range from justifications for practices of authoritarian regimes to violations of democratic norms and international treaty obligations under exceptional circumstances.

Our concept is closest in spirit to Lipset's (1959), which asserts "...belief that existing political institutions are the most appropriate or proper ones for the benefit of society." Ours differs in two very important ways. Lipset's concept has intrinsic normative implications whereas ours is a positive concept and his concept lacks any explicit or implicit distinction between formal and informal aspects. The similarities lie in our view of the concept as a stock, which was implicit in some of Lipset's arguments, and in some of the mechanisms that affect the building up of the stock, which would be viewed as public goods in modern economics terminology. In this section we illustrate in detail how one of these mechanisms, law and order, interacts with the two explicit dimensions of democracy considered earlier in determining democratic outcomes. We also discuss other modern sources of legitimacy that have intrinsic effects on democratic outcomes.

By its very nature legitimacy is a context dependent concept. For instance, it varies with the historical time one is considering and it also varies with the societal space one is considering.

In the literature on economic development context dependence has led some writers to advocate the use of the analytical narratives approach to the topic, for example Rodrik (2003). Similarly, context dependence has resulted in this approach becoming well established when explaining the evolution of democracy over time, for example Tilly (2007). Interestingly, in the analyses of institutions the use of analytical narratives is adopted implicitly without necessarily adopting the label. For instance, North Wallis and Weingast (2009) have recently proposed a conceptual framework for analyzing the evolution of societies in terms of what they call limited and open access social orders. This framework has been implemented through case studies that are difficult to distinguish from applications of the analytical narratives approach, North et al (2011).

In the fourth substantive section of the paper we apply what may be viewed as a version of the analytical narratives approach. This is accomplished by using the concepts and analyses of the previous three sections to understand a critical event in the evolution of a fragile democracy. This event, the Honduras political crisis that started on June 28 2009, attracted considerable attention in the popular press and from policy makers all over the world during the second half of 2009. We show that the constructs developed here allow for an explanation of the evolution of the crisis and the incentives driving the participants that are difficult if not impossible to derive from alternative accounts that do not rely on these constructs. Summing up, various aspects of legitimacy and their interaction with political rights and civil liberties are shown to drive the behavior of the main participants in the crisis.

We conclude the paper by highlighting opportunities for future research relying on the constructs developed in the paper.

RECENT EMPIRICAL LITERATURE ON DEVELOPMENT AND DEMOCRACY

One important economic issue that has attracted attention in both the economics and the political science literature is the relationship between democracy and long-term economic growth or development. In this section we focus on the empirical analysis of this issue in terms of the two explicit dimensions of democracy mentioned in the introduction: political rights and civil liberties. While civil liberties have been acknowledged as an explicit intrinsic dimension of democracy at the conceptual level, the recent empirical literature has by and large ignored this dimension as we demonstrate below. Incidentally, legitimacy has not been acknowledged explicitly as a dimension of democracy in this empirical literature.

Empirical analyses of economic growth and democracy emphasize the political rights dimension either directly through the electoral process or indirectly through limits on executive power. For instance, one of the most straightforward, clear statements of this view is in the book by Acemoglu and Robinson (2006). In their third chapter, titled “What do we know about democracy”, they quote approvingly the following definition of democracy by Schumpeter: “...the institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote.”

In discussing the measurement of democracy, they suggest as their main measure the Freedom House political rights index. The latter is an aggregation of three subcategories of political rights: (A) the freedom and fairness of the electoral process; (B) the political pluralism and competitiveness of participation in the political process by individuals and groups; and (C) the effectiveness of governance with respect to influence of elected representatives on policies, degree of corruption and degree of accountability and transparency. They also use as a secondary measure a composite Polity variable that captures the competitiveness of political participation and executive recruitments as well as constraints on the executive. The main attractiveness of

this secondary measure is that it goes back well into the 19th century. Of course, this measure also captures political rights aspects of democracy.

Early empirical literature by political scientists on the relationship between democracy and economic development arrives at a very strong conclusion. For example, an evaluation of quantitative cross national studies asserts "...One massive result of these studies still stands: there is a stable positive association between social and economic development and political democracy. This can not be explained away by problems of operationalization. A whole array of different measures of development and democracy were used in the studies under review and this did not affect the results", Rueschmeyer, Huber Stephens and Stephens (1992, p. 29).

More recent empirical literature by political scientists has arrived at the following somewhat different conventional wisdom. By classifying regimes into two categories, democracy or dictatorship, and some clever reasoning Przeworski, Alvarez, Cheibub and Limongi (Ch. 2, 2000) obtain two main results. First, economic development, measured in terms of per capita income, can not explain the emergence of democratic regimes. Second, the level of per capita income, however, is the best predictor of whether or not a democratic regime will survive.

One feature of this recent empirical political science literature is that they focus on democracy as the dependent variable, i.e., what is to be explained. They use political rights or their aspects, for example free and fair elections, as the only dimension of democracy that is relevant. Variables representing these concepts are used to classify countries as dictatorships or democracies or to score them on a dictatorship or democracy scale.

A recent empirical study in economics that also focuses on democracy as the variable to be explained is Acemoglou, Johnson, Robinson and Yared (2008). They find that the use of

either fixed effects or a correction for endogeneity eliminates the role of per capita income in explaining democracy. The latter is defined in terms of aspects of political rights as indicated earlier. The use of fixed effects contradicts the second result that has become conventional wisdom in the political science literature. Its implication and that of the endogeneity correction, however, is consistent with the first result that has become conventional wisdom in the political science literature. Economic development has no causal effect in explaining democracy when measured in terms of a single dimension based on political rights.²

A different strand of literature on economic development and democracy aims at explaining the average rate of economic growth. This literature stems primarily from economics. An important conclusion that has become conventional wisdom in this literature is that democracy, measured with the above political rights indexes, can not explain the average rate of economic growth empirically. Without correcting for endogeneity, as in Barro and Sala-i-Martin (2004)³, it does not do so because the statistically significant correlations that are found are not robust to the addition of other explanatory variables or changes in samples of countries. Thus, the association between these two variables is not robust. When correcting for endogeneity, as in Mobarak (2005) for example, it does not do so either. Because the correction eliminates statistically significant results found without the correction. Incidentally, Mobarak does find a robust negative association between democracy and the volatility of growth even after correcting for simultaneity. These results are consistent with the previous ones explaining democracy.

² A more recent paper by the same authors (2009) reaffirms these two results.

³ Barro and Sala-i-Martin (2004: Chapter 12) in their textbook on economic growth also relied on the Freedom House index of political rights as their measure of democracy in their empirical analysis of growth determinants using a cross section of countries.

No empirical studies relying on democracy as the dependent variable or on per capita income levels or the average rate of economic growth as the dependent variable view democracy explicitly as a multidimensional variable, at least to my knowledge. Nevertheless, the latter strand of literature provides important evidence on at least one other dimension of democracy, civil liberties. This strand of literature sheds light on both the relationship of civil liberties to economic development and on why it may have been neglected in the literature.

Early work incorporating civil liberties in explaining the average rate of economic growth led to the conclusion that it did not matter. Levine and Renelt (1992) found that the statistical significance of the index was sensitive to the conditioning set of explanatory variables. For instance, King and Levine (1993) found in their analysis of the relationship between financial development and growth that civil liberties played no role in shaping economic growth. More recently, however, BenYishay and Betancourt (2010) considered the role of civil liberties in explaining long-term economic growth or development with disaggregated subcategories of civil liberties. While they found similar results to the earlier literature when using the same aggregate civil liberties index in explaining the level of per capita income, the situation changed dramatically when using the disaggregated subcategories that make up the index.

In 2006 Freedom House for the first time in its history made available the country scores on each of the four subcategories making up its civil liberties index. These subcategories are D) Freedom of Expression and Belief, E) Association and Organizational Rights (Freedom of Assembly), F) Rule of Law and G) Personal Autonomy and Individual Rights. The first two subcategories capture what are often called first generation human rights. The third one is a mixture that captures aspects of due process, which is also a first generation human right, with procedural issues, the prevalence of law and order and discrimination by the state against

minorities. The last subcategory indicates the ability of individuals to exercise their economic rights with respect to employment, location and ownership of property as well as personal social freedoms. This subcategory captures what are often called second generation human rights.

When using each of these individual subcategories to explain long-term growth and development, the authors find that the performance of the first three subcategories (D, E and F) is the same as that of the aggregate index. It is not robust to the inclusion of other variables nor to corrections for endogeneity. On the other hand, when they use the last subcategory, Personal Autonomy and Individual Rights (G), it survives the inclusion of other variables as well as corrections for endogeneity. Indeed, it performs better as a measure of property rights in explaining growth or long-term development than any of the measures previously mentioned here as well as others not mentioned before, e.g., the Economic Freedom Index developed by the Fraser Institute and its five subcategories. In sum, these results show that the civil liberties dimension of democracy, through its second generation human rights aspects, has a powerful effect in explaining long-term growth or development measured in terms of per capita income. Thus, they play a very different role in explaining economic development than the political rights dimension of democracy.⁴ The latter has no such effect in terms of the aggregate index or any of its subcategories.

One implication not to draw from these empirical results is that the only civil liberties that matter for economic growth are those associated with second generation human rights. It is difficult to conceive of mechanisms that allow high levels of second generation human rights to exist without some minimal levels of first generation human rights also present. Indeed, the higher levels of second generation human rights in countries such as Vietnam and China may

⁴ Lamentably Freedom House discontinued the practice of providing data on their subcategories after three years. Signorino and Xiang (2011) provide an excellent analysis of why making available components of indexes in the study of democracy is desirable.

have raised their scores on other civil liberties capturing first generation human rights below minimal levels. The same conclusion, however, can not be drawn about their scores on political rights, which remain at minimal levels. These two examples provide additional evidence on the possibility of substantially divergent behavior by the two explicit dimensions of democracy stressed here.

DEMOCRACY'S EXPLICIT DIMENSIONS & THEIR ECONOMIC IMPLICATIONS

While political rights have several closely intertwined aspects that have important economic consequences, discussions of these rights usually focus on its most obvious aspect: namely, the electoral process and whether or not there are free and fair elections. This is an essential characteristic of democracy. It provides a well known, reliable and especially a non-violent mechanism for the inter-temporal transmission of power.⁵ A very important externality or economic benefit from a free and fair electoral process is what one may call an “opportunity benefit”. That is, the savings in terms of destruction of life and property of alternative mechanisms for the transmission of power, especially the more violent ones.

In practice attention often concentrates on presidential elections, leading sometimes to the neglect of legislative and local elections. When publicly provided goods have benefits and costs with principal incidence in a particular jurisdiction, however, they are more efficiently allocated at the local level, e.g., Oates (1999). Thus, an important “opportunity benefit” from a democratic process that includes local elections is the prevention of serious economic inefficiencies that can arise when the process does not encompass this level.⁶ Along the same lines if politicians

⁵ The importance of violence throughout history in an economic context is brought to the fore recently by the work of Findlay and O'Rourke (2007).

⁶ A recent paper, Martinez-Bravo, Padró i Miquel, Qian and Yao (2011), argues that even in an authoritarian context local elections improve policy outcomes by increasing accountability.

benefit from experience in plying their trade, a related “opportunity benefit” from local elections is the practice provided to politicians at this lower level.

A related aspect of political rights, besides freedom from intimidation and coercion in the exercise of the vote, is the provision of an environment for participation by candidates and parties that is open to competition. Indeed, the extent and nature of participation in the process is one of the three categories used by Freedom House to construct their political rights index. The “opportunity benefits” generated by competition at the local and legislative level include more efficient policies due to the incentive for experimentation at the local level and scrutiny at the legislative level generated by the competitive process.

Finally, another important aspect of political rights in a democracy is that the actual policies undertaken are controlled by elected leaders. Thus, kitchen cabinets and corruption devalue the democratic process while accountability and transparency of decisions and information enhance the democratic process. In particular, the accountability of elected leaders for the selection and implementation of policies yields “opportunity benefits” by providing incentives for economic performance that benefits all constituents rather than small groups of insiders. One reason “opportunity benefits” have been ignored in the literature is likely to be the need to specify the specific counterfactual alternative in order to calculate them and the lack of a general widely accepted mechanism for doing so. Nonetheless, it is clear that these benefits exist and that they can be quite substantial in some cases.

There are also economic costs to society at large of having a free and fair electoral system in terms of registering voters and parties, supervising and implementing the process, etc. Indeed these social costs acquire a larger magnitude when developing an electoral system from scratch, which can be quite expensive in terms of time and money. In contrast to these economic social

benefits and costs of political rights, which are largely neglected in the literature, the private ones relevant for citizens as voters, politicians as candidates and parties as organizations have received attention.

For instance, there are some economic costs for citizens voting in elections and the costs often seem to outweigh the benefits for any given individual. This feature has led to a substantial academic literature in economics and politics trying to rationalize why citizens vote on a voluntary basis, which is viewed as paradoxical from a self-interest point of view, e.g., Feddersen (2004).

Along the same lines, there are also substantial economic costs to the politicians and parties that participate in the elections. These range from opportunity costs of income foregone during campaigns to the direct costs of participating in terms of travel, advertising or more generally providing information about candidates and policies and salaries of associates. In this case, however, the economic benefits can be substantial for those elected and participation is not framed in terms of paradoxes.

Instead, in early literature participation is framed in terms of politicians characterized as partisans (driven by preferences for a policy position), opportunistic (driven by the desire to get re-elected) or both, e.g., Drazen (2000, Ch. 7). Presumably, these drives are due to the associated economic and/or other benefits of their positions prevailing and of re-election. Recently, however, a new stream of literature has begun to consider more systematically the role of economic and other benefits in determining the career choices of both types of politicians. For instance, Keane and Merlo (2010) provide a quantitative analysis of how politicians' career choices respond to monetary incentives, for example a change in wages, as well as non-pecuniary ones, for example a change in the probability of being named to an important

committee.⁷ Incidentally, the latter non-pecuniary incentives can have a very high associated monetary value due to their influence over specific policies.

A second dimension of democracy that is widely recognized as an essential characteristic is the protection of individual rights. Indeed, first generation human rights such as freedom of expression and assembly have been recognized as essential characteristics of democracy over the last two hundred years by having them embedded in most countries' constitutions. Second generation human rights such as secure ownership rights and individual mobility rights are of more recent vintage. Nonetheless, they have been viewed over the last several decades as part of the array of civil liberties to be provided and protected by a democratic government; for example Freedom House includes them as part of their civil liberties index.

Just as in the case of political rights, however, there are economic benefits and costs in the provision of these civil liberties. Some costs are shared with the provision of political rights, for example an independent judiciary for the adjudication of disputes is required by both dimensions. Other costs can be specific to the protection of some civil liberties, for example land registries and title certifications. The economic benefits of second generation rights are direct and thus easy to identify: when output increases due to lower uncertainty and transaction costs as well as to improvements in resource allocation, the benefits are straightforward to see. Yet, even the first generation ones -- for example freedom of speech and assembly -- have indirect economic benefits in terms of facilitating the generation and distribution of knowledge. The latter underlies modern economic growth, Aghion and Howitt (1998).

A government's protection of civil liberties is arguably the best measure of a credible commitment to ensure the prevalence of the rule of law in a society. Thus, the prior discussion

⁷ These responses apply to politicians of both types, who are now labeled skilled (focused on re-election) and achievers (focused on policies), and are framed in a dynamic setting.

suggests many important economic benefits to society that derive from the provision of the rule of law. The latter can be viewed as an essential public input in the operation of modern markets at a high level of transactions due to the separation of the private benefits and costs of these transactions across space, time and agents. A detailed discussion of this role of civil liberties is available in Benyishay and Betancourt (2010).

DEMOCRACY'S IMPLICIT DIMENSION: LEGITIMACY & ITS IMPLICATIONS

Ignoring dimensions of democracy other than political rights becomes an even more pronounced phenomenon when we come to this third implicit dimension of democracy as a form of government, namely legitimacy. In this case it is usually ignored at both the conceptual and the empirical level by economists⁸ and at the empirical one by political scientists. Furthermore, when given attention by the latter at the conceptual level it has different interpretations or meanings. Given these circumstances, it is desirable to be very explicit on what we mean by the use of the term.

By **legitimacy** I mean the willingness of the governed to accept the right of those who govern them to do so.

Just as most features of institutions, legitimacy has a formal or *de jure* component and an informal or *de facto* component. For instance, in a democracy the formal or *de jure* aspect is acquired by attaining power through some form of free and fair electoral process. The informal or *de facto* aspect, however, is attained through the level of performance of governmental functions by those elected, given the standards of the society at particular historical times.

⁸ An exception is the work of Collignon (2007) who argues that a technocratic or communitarian view of the legitimacy of the European Union is incapable of generating a fiscal policy consistent with its monetary policy. Only a deliberative democracy view of legitimacy, which leads to a political Union with respect to European collective goods that he calls the European Republic, can generate a fiscal policy consistent with its monetary policy.

Incidentally, one important consideration that suggests itself from our simple definition is that legitimacy viewed as regime acceptance is a dimension relevant to all forms of governments, not just to democracy. That is, one function of any form of government is to secure the willingness of the governed to accept the right of those who govern to do so and it can have formal and informal features in all forms of government. This point also suggests that similar functional features apply to the two explicit dimensions. For instance, another function of all forms of government is to provide mechanisms for the inter-temporal transmission of power. Similarly, a fundamental function of all forms of governments is to provide, for example, some level of civil liberties in the form of protection of property rights and mobility privileges for at least a subset of the population being governed. In performing these and other functions both of these dimensions, of course, also have formal features as well as informal ones.

For exploring the various implications of this implicit dimension, it is useful to differentiate our definition of legitimacy from alternatives available in the political science literature. One strand of this literature stresses a legal or juridical aspect by distinguishing between legality and legitimacy. Schmitt's (1932) work uses this distinction to justify the right of the sovereign declaring a state of emergency and, for example, suspending civil liberties or governing by exception. This can be and has been used to justify various actions under totalitarian (Nazism and Communism) and non-democratic forms of governments (Arab countries' permanent states of emergency) as well as under democratic forms that function by ignoring some democratic norms, presumably temporarily. Subsequent work, e.g., Archibugi and Croce (2011), applies the concept to the legitimacy of not complying with legal international treaty obligations under unusual circumstances. The interpretation of unusual can range, for example, from genocide to the existence of weapons of mass destruction.

Our definition is a positive one not a normative one. Of course, it can be made consistent with these other definitions by adoption of their norms but we have no intention of doing so in general. In applications related to Schmitt's views the norms seem to derive from abstract embodiments of the people captured in the sovereign exercising power. In international relations the norms seem to derive from ethical considerations which sometimes are not consistent with legality.

An alternative view of legitimacy stemming from the political science literature is Lipset's (1959) statement that "...legitimacy involves the capacity of a political system to engender a belief that existing political institutions are the most appropriate or proper ones for the benefit of society." This view contains a normative implication that our definition does not share and it makes no distinction between formal and informal aspects of the concept. In subsequent discussion, however, Lipset makes one point that we find very insightful for understanding our concept and that makes his view closest to ours in terms of this implicit dimension of all forms of governments and particularly of democracies.

One point Lipset emphasizes is that of effectiveness of a political system or "... the extent to which it satisfies the basic functions of government as defined by the expectations of most members of society, and the expectation of powerful groups within it which might threaten the system,...". In his view the degree of legitimacy allows the political system to survive crisis of effectiveness such as lost wars and depressions. In our view the legitimacy of a political system is a stock variable that can accumulate or depreciate. One of the sources of increasing or decreasing legitimacy in our sense is the ability of the political system to provide basic public goods expected from governments at a particular point in time or location.

We find this notion of legitimacy as a stock variable that can accumulate or depreciate useful to understand a variety of phenomena. For instance, it helps explain the seemingly large reservoir of goodwill that independence leaders seem to enjoy despite their often relative poor performance in providing basic public goods (most African countries after World War II and most Latin American countries in the early nineteenth century). The stock of legitimacy acquired through their prominent participation in independence wars is not easily depreciated by their frequently poor subsequent performance in providing basic public goods.

Similarly, nationalistic leaders that ‘liberate’ their people from imperialism acquire substantial and difficult to depreciate stocks of legitimacy. Furthermore, their actions in other dimensions such as redistribution expenditures and provision of basic services such as health and education also allow them to build up further their stock of legitimacy in our sense (Cuba and Venezuela). The same is true of leaders that liberate their people from poverty (Singapore and China). In both cases this accumulation of legitimacy happens despite other actions that contribute to a depreciation of their legitimacy such as suppression of political rights and civil liberties.

Last but not least, this view of legitimacy as a stock helps explain the difference between the impact of events in well established democracies and in fragile ones. The same event that destabilizes the system in a fragile democracy may hardly be noticed in an established one, because of the differences in the stock of legitimacy accumulated in both cases. In an established democracy, failure to perform a basic function can be easily attributed to a particular administration rather than to the political system itself. In a fragile democracy it is more difficult to separate the performance of a particular administration from the performance of the political system.

Some forms of government may have only informal legitimacy in our sense while other forms have both. For example if political acceptance is the result of a profound fear for one's life, there may be little or no *de jure* legitimacy and the latter may be strictly *de facto*. This fear as well as perceptions of potential repression lead to acceptance of corrupt regimes in Africa in Padró i Miquel's (2007) analysis. One would expect the stock of legitimacy to be low in these very repressive societies. Other forms of government may derive their political acceptance from religious or other beliefs and, in those cases, legitimacy may depend on both formal (adherence to religious practices for example) and informal features. In a religious setting if citizens are very devout, the stock of legitimacy enjoyed by the state can be increased by association with the religion, e.g., Sabetti (2007).

Democracies are interesting in this context because the formal feature is usually easily met through free and fair elections but the informal feature or *de facto* legitimacy is a far greater source of variation as it depends on performance of governmental functions. Hence, the stock of legitimacy primarily accumulates through performance in the *de facto* dimension. Thus, it is quite possible for a democracy to lose its legitimacy as a result of a failure to perform basic functions such as providing law and order or preventing corruption on a persistent basis. One can argue on this basis that democracy in Cuba and Venezuela before Castro and Chavez, respectively, endured a crisis of legitimacy due to the inability of democratic governments to control corruption, e.g., Diaz-Briquets and Perez-Lopez (2006).

It is also the case that the two explicit dimensions of democracy are not necessarily independent of each other or from the implicit dimension emphasized in this section. For instance, many Singaporeans view as legitimate or accept limitations on civil liberties (for example, freedom of assembly) and political rights (for example, the limited competitiveness of

their elections). This is due, at least in part, to the *de facto* legitimacy conferred upon their system by the superior economic growth performance of their economy since 1959 and the government's intelligent use of the resources generated to provide substantial benefits to the population at large, e.g., Kuan Yew (2000).

Currently, one of the most imminent threats to the legitimacy of fragile democracies is their inability to provide basic law and order in their territories as a result of various factors, ranging from civil wars to the drug trade and related developments. Lack of law and order undermines the *de facto* legitimacy of democracies no matter how free and fair their elections are. It also leads large segments of the population to accept actions that can easily violate civil liberties, especially but not exclusively in fragile democracies. For example, some of the actions undertaken by the Uribe government in Colombia during its struggle against the guerrillas were highly controversial from this perspective. Yet, Uribe enjoyed wide spread support, among other reasons, due to the perceived impact of these measures in substantially lowering the numbers of murders and robberies from the peak experienced at the height of guerrilla activity, Lee (2010).

Ironically, the support expressed by some for Egyptian President Mubarak in the midst of the recent pro-democracy demonstrations after 30 years of dictatorship was often and explicitly related to the perceived law and order he would provide in contrast to the potential for instability or lack of law and order generated by the demonstrations. Assuming these expressions of support to be insincere and hypocritical, however, does not detract from the reality that this law and order argument has been put out for many years and it is still resuscitated in critical times. Indeed, the protesters were also sensitive to this issue and provided law and order in Tahir square as best they could to undercut the accusation. Moreover, this desire for law and order has been

used as a reason to favor a continuation of the state of emergency (M. Birnbaum, Washington Post, April 20, 2011) even after Mobarak’s imprisonment.

Both sides’ behavior with respect to this issue is an indication of the importance of law and order provision as a governmental function. A democracy’s legitimacy can be profoundly affected by how citizens view its performance on this dimension. Law and order is quite different from the rule of law: the former entails protection from abuse of power by other citizens; the latter entails protection from abuse of power by the state. No one claimed that the Mubarak government performed the latter function, precisely because of its violations of fundamental civil liberties.

While the previous examples illustrate the potential interdependence between legitimacy, political rights and civil liberties (CL), it is useful to summarize our argument, thus far, with an example in tabular form that also illustrates the differences between *de jure* and *de facto* in all three dimensions. We illustrate the general argument in Table 1 below using the performance of the law and order function of government in a democracy as an example.

Table 1: Democracy’s Dimensions: Performance of Law & Order Function

	de Jure (Formal)	de Facto (Informal)
Political Rights	Law and order during political campaigns	Failure to do so for whatever reason
Civil Liberties	Freedom of Assembly in Constitution	Impossible due to lack of law and order
Legitimacy	Government elected in free and fair elections	Inability of government to provide law and order violates CL and lowers <i>de facto</i> legitimacy

The economic consequences of legitimacy or its absence can be illustrated with the

provision of law and order, for example, to control the drug trade. The economic costs will include all the additional resources required by law enforcement as a result of efforts to control this activity. More importantly, since the most valuable asset of a human being is his or her life, the human capital costs of a failure of legitimacy through lack of provision of law and order can be quite high. To this must be added the additional loss due to property destruction. In addition there is the “opportunity benefit” lost as a result of potential investments and transactions that are never carried out due to the increased uncertainties generated by a climate of widespread insecurity. Lack of legitimacy due to this source can have devastating economic consequences.

Mention must also be made of intrinsic features of legitimacy particularly relevant to the modern world. For, these features have important economic consequences that are independent of political rights and civil liberties as traditionally defined. In particular I am referring to economic protection for the poor or the provision of employment at high levels. One may call them ‘social rights’. These are easy to assign *de jure* but difficult to provide *de facto*, especially in poor countries. That is, governments can claim or be assigned responsibility for providing services they can not deliver. State capacity is a recent concept that capture variations in government’s ability to deliver a variety of public goods, e.g., Schmitter (2005).

If there is too big a gap between the *de jure* assignment and the *de facto* accomplishment by any one government, the result can be a profound decrease in *de facto* legitimacy. Thus, governments should be careful in what they promise, since repeated failures to fulfill these promises can imperil their survival. Democratic governments are even more exposed to this problem of a legitimacy gap between the expectations raised by the *de jure* assignment and the *de facto* accomplishments. For, freedom of the press and political competition lead to having

this gap on ‘social rights’ exposed more clearly and forcefully, which is likely to generate a legitimacy crisis sooner than in more repressive settings.

Finally, one of the difficulties in dealing with this implicit dimension of democracy is the ease of overlooking its existence due to its implicit nature and sensitivity to context. Indeed, it is easy to fail to recognize its role because it appears under different names or forms. We illustrate this difficulty as well as the potential importance of this dimension of democracy in determining outcomes in terms of a novel paper by Dippel (2010). This paper establishes the role of forced integration in Native American reservations when they were created in the 19th century as the causal factor in a mechanism that explains the substantial divergence in per capita incomes among these reservations in recent years.

Dippel finds anthropological data on intra tribal political integration in pre-reservation times and shows that when sub-tribal bands were forced to integrate into a reservation, per capita income in recent times was much lower than when sub-tribal bands were politically integrated on their own in pre-reservation times. The causal mechanisms he identifies are the existence of more parochial politics that diminished the contracting environment, and the management of reservation owned businesses in the reservations where forced integration prevailed after democratically elected local governments start to function. An interpretation of these results is that forced integration diminished the *de facto* legitimacy of the current local government, despite its *de jure* legitimacy through acquiring power in free and fair elections. This lowering of *de facto* legitimacy generates the parochial politics that decrease local democracy’s effectiveness in creating an economic environment leading to increases in per capita income.

HONDURAS 2009: POLITICAL RIGHTS, CIVIL LIBERTIES AND LEGITIMACY

In this section we apply the ideas developed in the previous sections to gain an understanding of one of most striking or salient events of 2009 in terms of democracy: namely, the political crisis in Honduras. This event was extremely controversial at the time. It caught academics, journalists and policy makers by surprise. None of these groups were able to articulate convincing interpretations of the event while it was happening, which is illustrated by dramatic reversals of initial positions within a year by most governments. Our aim in this section is to use this event as a case study that illustrates the insights that can be gained from relying systematically on the constructs developed in this paper for understanding the evolution of democracies, especially fragile ones.

On June 28 2009 the elected President of Honduras, Manuel Zelaya, was arrested by the Honduran Army. This was done with the explicit approval of the legality of the action by the Honduran Supreme Court. The military decided to put him on a plane bound for Costa Rica rather than to hold him in Honduras, presumably to avoid the potential for bloodshed that would have arisen if he had been held within the country. There is not much dispute that these two events created the crisis.

What led to these events is subject to differing interpretations. According to most accounts, for example Toiba and Zissin (2009), the critical issue was an attempt by President Zelaya to have a referendum on the 28th of June 2009. It would have been a poll on the desire of Hondurans to have a fourth ballot box in the November 2009 elections, which would then ask if the Honduran people wished to form a Constitutional Assembly during the term of the newly elected president. The Supreme Court upheld a lower court ruling that had found a prior referendum based on the same issue unconstitutional and had prohibited it. Zelaya decided to proceed anyway, basing his

decision on the Law of Citizen Participation passed in 2006. Zelaya dismissed the head of the military command for disobeying an order to hold the poll, but the Supreme Court ordered his reinstatement.

Zelaya's actions were viewed by the substantial number of Hondurans supporting his ouster as an attempt to violate article 239 of the Honduran constitution, by opening the way to his re-election. This article is very clear on the basic point and its penalty. To wit, the article translates as follows:

ARTICLE 239.-A citizen who has held the highest office in the Executive Branch can not be President or Vice President of the Republic.

Whoever violates this article or proposes its reform, just as those who may support them directly or indirectly, immediately foregoes the holding of their respective official titles and remain proscribed from participating in any public activity for ten years.

While Zelaya's election in 2005 was accepted as free and fair during the 2009 crisis by everyone, the same free and fair elections also led to the Congress that voted for his ousting on more than one occasion and approved judges of the Supreme Court that validated his ouster. Focusing exclusively on political rights renders one incapable of addressing or understanding this crisis. Political rights generated by free and fair elections at the presidential level do not necessarily trump political rights generated by the same free and fair elections at the legislative level.

Bringing in the perspective of the two other dimensions of democracy stressed here enhances our understanding of this process. The fears of what would happen to their civil liberties and those of the citizens represented by them played a role in the decisions of the Honduran Congress to vote for the ousting of Zelaya once he decided to proceed with the referendum. Article 239 of the Honduras constitution and its interpretation by

the Honduran Supreme Court provided *de jure* legitimacy for their actions. An overwhelming majority in the Honduran Congress voted for Zelaya's ouster. A desire to protect civil liberties of a substantial segment of the population, including themselves, provided *de facto* legitimacy for their actions. The fear expressed at the time and repeated afterwards, Micheletti interview by El Nuevo Herald (April 25 2011), was that Zelaya would start a process similar to the Venezuelan one.

Another consideration that may have provided *de facto* legitimacy for these actions was nationalism. The widespread and well known involvement of Chavez in Honduras on the side of Zelaya prior to the events of June 28 was interference by a foreign government in domestic affairs, e.g., Agencias (2010). No matter how friendly and generous a foreign government is, attempts to determine national outcomes could have engendered nationalistic feelings in support of an alternative, País (2009).

Without appeals to legitimacy as an essential dimension of democracy it is also difficult to understand or explain the actions of Zelaya and his supporters. Zelaya and those who encouraged him to have the referendum had to be aware of the constitutional issue generating *de jure* illegitimacy for their actions, especially after the first denial of its legality by the Supreme Court, e.g., De los Reyes (2011). Challenging it and taking the chance to be rebuked and its potentially serious consequences required a powerful

rationale. The need to fight dire circumstances of poverty at very low levels of economic development provided *de facto* legitimacy for this risky strategy, at least for some.⁹

On the other hand, the June 28 actions of the military were viewed outside Honduras almost uniformly as a coup d'état. Ironically, while the military had a sound legal and constitutional basis for arresting Zelaya in article 239, it had an equally sound legal and constitutional basis not to send him out of the country in article 102. The latter translates as follows

ARTICLE 102.- No Honduran may be expatriated nor delivered by the authorities to a foreign State.

The military's decision to send Zelaya out of the country provides an illustration of the inter-dependence of the two explicit dimensions of democracy in determining outcomes. This action is illegitimate from the *de jure* point of view as a violation of Zelaya's political rights. Just like Zelaya and his supporters had to be aware of article 239, the military had to be aware of article 102 of the constitution and that the action had no *de jure* legitimacy. The *de facto* legitimacy for undertaking the action was the protection of the civil liberties of Honduran citizens against the potential for violence that could have been unleashed if Zelaya had been held prisoner in a Honduran jail or military barrack, e.g., Internacionales (2011).

⁹ Honduras is one of the poorest countries in Latin America. In 2008 it ranked 145 in the world with respect to per capita income in PPP terms (\$3,870) as estimated by the World Bank (2009). Among Latin American countries only Nicaragua and Haiti are ranked below Honduras.

Subsequent measures undertaken by the provisional government to prevent violence once Zelaya took refuge in the Brazilian embassy in Tegucigalpa suggest that protection of civil liberties through violence prevention was a relevant consideration in sending Zelaya out of the country. For instance, some of the measures undertaken upon Zelaya's return were a *de facto* infringement on civil liberties. They were quickly rescinded after criticisms from a hostile international community on these grounds, e.g., Maisonnave (2009).

One expects most military leaders to be well aware that the use of violence against civilians, regardless of the reason, is frowned upon in modern civilized societies and undermines the legitimacy of any intervention both *de facto* and *de jure*. This is especially so in a country trying to perform well on the indicators of the Millennium Challenge Corporation, which include the rule of law as measured in the World Bank's governance indicators. It is also to be expected in a country where the military receives extensive training from the United States.

The consequences of these events for Honduras were severe in political and economic terms. It led to the widespread condemnation of the action as a *coup d'etat* by both democratic governments and not so democratic ones. Diplomatic pressure was brought to bear on the transition government appointed to hold power for the 4 months until the November 2009 elections. One international organization, the OAS, expelled Honduras and refused to monitor these elections which were supposed to take place regardless of the referendum issue under contention. On the economic front international assistance was withheld. Even bilateral US aid through the Millennium Challenge

Corporation was halted, despite the fact that Honduras had been performing well by almost all criteria usually employed by MCC to select countries as worthwhile or deserving to receive aid because of their own efforts at improvements.¹⁰

Yet, the Honduran provisional government resisted the pressure, elections were held as scheduled and the newly elected government of President Lobo was recognized by various governments, including the US. It helped that Lobo had taken an open minded approach to the issues dividing the country and a conciliatory attitude toward Zelaya and his supporters, for example Lisman (2009). In March of 2010, ex-President Zelaya announced that he was writing a book on the crisis and the US government announced that aid was restored. The multilateral financial institutions followed suit.

By July of 2010 most of the 65 countries that had broken diplomatic relations with Honduras a year earlier had re-established them. Two others, Chile and Mexico, did so in early August, bringing the total to 57, after the OAS issued a long delayed report on the Honduran crisis and its aftermath on July 29. This report (<http://www.oas.org/documents/eng/press/AGSC00258-ING.doc>) had a substantial part devoted to the steps already taken and in process by the Lobo government to provide civil liberties through the protection of human rights, including freedom of the press. On June 1st 2011 Honduras was readmitted to the OAS, thus officially ending the crisis.

CONCLUDING REMARKS

¹⁰ For instance, in 2009 Honduras scored above the median of the low income countries in 15 of the 17 indicators in the MCC scorecard, at the median in one and below the median in one. These indicators are the ones used to select countries as eligible for aid from MCC. This information is publicly available at the MCC website.

The Honduran political crisis seems to have befuddled pundits, governments and international organizations in equal measures. Our analysis relies on civil liberties and legitimacy as intrinsic dimensions of democracy to overcome the inadequacy of political rights as an exclusive basis for understanding the crisis. This event case study illustrates the limitations of an exclusive focus on the usual dimension, political rights. It also illustrates how using these other two dimensions systematically enhances our ability to understand critical aspects of the evolution of democratic processes. Moreover, if the participants in these events were not responding to notions of legitimacy and civil liberties in determining their actions, it becomes difficult if not impossible to understand or explain their behavior.

One of the obvious implications for future research is systematic application of the constructs developed here to other critical events in the evolution of democracies. These critical events can be current ones or historical ones such as those analyzed by Tilly (2007). Similarly, the approach can be concentrated on a short period of time or on a longer historical period such as the case studies undertaken to implement the North Wallis and Weingast (2009) framework. The subject of the evolution of democracies is sufficiently complex and difficult that the ideas in this paper should be viewed as complementary to the work of both Tilly and North, Wallis and Weingast rather than as substitutes or alternatives.

Incorporating legitimacy as a construct for the analyses of democratic evolutions will require measurement of legitimacy in various settings and this is an important and potentially very fruitful area for future research. Our main contribution in this area is the

guidance for measurement provided by our development of the basic concept and its determinants. First, legitimacy is a positive concept that needs to be viewed as a stock that can be accumulated or depreciated. A number of methods can be used to develop an index of this stock, ranging from survey methods adapting existing public opinion polls, e.g., Latin America Public Opinion Project (<http://www.lapopsurveys.org/>), to indicators of political violence in the form of repression and civil wars such as those used by Besley and Persson (2011). Second, we have provided clear examples of different mechanisms for accumulation or depreciation in the context of providing public goods by democracies that are capable of measurement, for example law and order and corruption. Both of these public goods have indicators available in the literature such as crime statistics, e.g., Van Dijk (2007), and various corruption indexes.

More generally, systematic efforts to conceptualize democracy in terms of these three dimensions can rely on the usual validation procedures available in the social sciences. For instance, surveys can and have been used to show that citizens view political rights differently than civil liberties, e.g., Betancourt and Sanguinety (2009). Experiments can be used to deepen our understanding of these constructs and their interactions. For instance, recently experiments have been used to show that democratic participation has substantial effects on cooperation, e.g., Dal Bò, Foster and Putterman (2010). The construction of specific models that include legitimacy explicitly would, of course, have to await developments in the measurement of this construct emphasized above. Nevertheless, the use of legitimacy to explain events within the context of specific economic models implemented empirically has already started, e.g., Compton, Giedeman and Johnson (2010). In that setting it is implicitly defined as if it meant

acceptance of reforms supporting contract intensive sectors by a majority of the population during turbulent times.

Another attractive area for future research is the empirical analysis of the relationship between democracy and development relying on civil liberties as a basic dimension of democracy. While substantial attention has been devoted to explaining the determinants of democracy when the latter is defined exclusively in terms of political rights, no one has tried to capture the determinants of democracy while including civil liberties as an explicit dimension of democracy. It is highly unlikely that the determinants of these two dimensions are the same.

Finally, an interesting and currently relevant topic for future research is the potential incompatibility between some sources of legitimacy and democracy. For example, in a recent book Mueller (2009) argues that religious extremism is incompatible with liberal democracy. In his view (p. 1) systems of government "...are liberal in the sense that their citizens possess rights that guarantee them the freedom to go and do as they wish. They are democracies in that their citizens exercise significant control over the state." Religious extremism is harder to define in the abstract. Nevertheless in practice he includes (pp.416-417) "...Christianity in America, Islam in much of the rest of the world, Hinduism in India, and Judaism in Israel...".

Mueller devotes significant attention to the nuances of religiosity in the book and he views religiosity as a continuous variable. Nonetheless, the groups characterized as extremists are broad. Perhaps the constructs developed in this paper can be used to analyze the conflict between religion as a source of legitimacy for democracy and the two

explicit dimensions of democracy in less contentious terms. By identifying the aspects of political rights and/or civil liberties incompatible with certain aspects of religious extremism it may be possible to narrow the scope under which religious extremists can claim to operate in a manner consistent with democratic principles. If so, it could limit the claims of extremists using religion as a source of *de jure* or *de facto* legitimacy in a democracy.

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