Structure, absorb, and regulate

Adam Przeworski

February 6, 2009
Everyone misses what comes first.
Institutions and development

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  - Protect property rights (AJR)
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- Coordinate investment (Bardhan)
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Institutions and development

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- but first
Institutions must absorb conflicts and process them according to rules.

- Unless some institutions absorb potential conflicts and process them in a peaceful manner, the only way to resolve conflicts is by force.
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- Unless some institutions absorb potential conflicts and process them in a peaceful manner, the only way to resolve conflicts is by force.
- Without some kind of an institutional framework that absorbs and regulates, people fight rather than produce.
Questions

- What kind of institutions?
Questions

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  - Not just organization of government but also political organization of society
Questions

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  - Institutions structure conflicts
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- Under what conditions?
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  - Ethnicity
Government likes a policy that is opposed by a majority or intense minority
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Equilibria:
Model

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  - government announces
    - some group(s) rises in street action
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  - perseveres: policy is stable but at the cost of social order
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- Equilibria:
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- government announces
- some group(s) rises in street action
- government
  - perseveres: policy is stable but at the cost of social order
  - yields: policy is not credible

Such equilibria exist.
## Huge differences (1946-2000)

<table>
<thead>
<tr>
<th>Country</th>
<th>Years under democracy</th>
<th>Mean unrest</th>
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<tbody>
<tr>
<td>Costa Rica</td>
<td>50</td>
<td>0.47</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>31</td>
<td>2.13</td>
</tr>
<tr>
<td>El Salvador</td>
<td>13</td>
<td>1.50</td>
</tr>
<tr>
<td>Guatemala</td>
<td>40</td>
<td>1.79</td>
</tr>
<tr>
<td>Honduras</td>
<td>22</td>
<td>0.76</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>13</td>
<td>2.33</td>
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<tr>
<td>Panama</td>
<td>26</td>
<td>1.32</td>
</tr>
<tr>
<td>Argentina</td>
<td>33</td>
<td>3.41</td>
</tr>
<tr>
<td>Bolivia</td>
<td>16</td>
<td>3.33</td>
</tr>
<tr>
<td>Brazil</td>
<td>26</td>
<td>2.09</td>
</tr>
<tr>
<td>Chile</td>
<td>34</td>
<td>1.70</td>
</tr>
<tr>
<td>Colombia</td>
<td>42</td>
<td>1.34</td>
</tr>
<tr>
<td>Uruguay</td>
<td>39</td>
<td>1.29</td>
</tr>
<tr>
<td>Venezuela</td>
<td>40</td>
<td>1.36</td>
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<tr>
<td>Italy</td>
<td>51</td>
<td>5.84</td>
</tr>
<tr>
<td>Norway</td>
<td>51</td>
<td>0.10</td>
</tr>
</tbody>
</table>
Strong enough but not autocratic (due to Sebas)

N = 289. Democracies with per capita GDP below $6000 (1985 int. prices)
Economies grow faster during years when:

- There exists a legislature,
- Elections are partisan,
- Participation in electoral politics is more extensive,
Long-term: Structure and Absorb

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<table>
<thead>
<tr>
<th>Legislature</th>
<th>Parties in</th>
<th>Growth</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>closed</td>
<td>—</td>
<td>1.01</td>
<td>1167</td>
</tr>
<tr>
<td>open</td>
<td>0</td>
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<td>1354</td>
</tr>
<tr>
<td>open</td>
<td>2</td>
<td>2.06</td>
<td>5144</td>
</tr>
</tbody>
</table>
Electoral participation

Rate of growth by electoral participation

Proportion of population voting

Fpfit. Shaded area is 95% confidence interval.
Economies grow faster during years when:

- The constitutional provisions concerning the selection of the chief executive and the legislature are complied with,
- Prime ministers or presidents complete their constitutionally specified terms.
- Frequent change of chief executives reduce growth only if their entry to or exit from office does not follow constitutional norms.
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## Exits and entries

<table>
<thead>
<tr>
<th>exit/entry</th>
<th>current</th>
<th>N</th>
<th>next year</th>
<th>N</th>
</tr>
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<tbody>
<tr>
<td>both constitutional</td>
<td>1.40</td>
<td>1423</td>
<td>1.90</td>
<td>1413</td>
</tr>
<tr>
<td>at least one unconstitutional</td>
<td>0.11</td>
<td>621</td>
<td>0.92</td>
<td>625</td>
</tr>
<tr>
<td>both unconstitutional</td>
<td>-0.04</td>
<td>391</td>
<td>1.08</td>
<td>394</td>
</tr>
<tr>
<td>Term</td>
<td>Growth</td>
<td>N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
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<td>----</td>
<td></td>
<td></td>
</tr>
<tr>
<td>completed</td>
<td>2.03</td>
<td>5546</td>
<td></td>
<td></td>
</tr>
<tr>
<td>not completed</td>
<td>1.25</td>
<td>1444</td>
<td></td>
<td></td>
</tr>
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</table>
Following rules, not change, matters

Rate of growth as a function of executive turnover
by mode of exit and entry

-15 -10 -5 0 5
Median rate of growth of GDP/cap
0 2 4 6 8
Number of chief executives
exited and entered constitutionally
exited or entered unconstitutionally

Number of chief executives

February 6, 2009 14 / 18
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- Institutional change of itself does not affect rates of growth but it does sharply reduce growth when it is accompanied by violations of constitutional norms:
  - Changes of nominal constitutions do not affect growth as long as the constitutional provisions are observed,
  - Changes of constitutional provisions regulating relations among governmental powers – the title of the chief executive, bicameralism, the prerogative to block legislation, and the power of unilaterally dissolve the legislature – do not affect growth as long as these changes are not accompanied by coups.
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  - expectations?
Conclusion

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- Mechanisms of effect on growth