

**Developing Democracy:  
Concepts, Measures, and Empirical Relationships**

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## Table of Contents

Abstract.....	1
Introduction.....	1
Defining Democracy.....	2
Measuring Democracy.....	4
Democracy Scales.....	5
Objective Measures of Democracy.....	6
Hybrid Measures of Democracy.....	7
Perceptions of Democracy and Trust in Institutions.....	7
International IDEA and Democracy Assessment.....	8
Causes and Consequences of Democracy.....	9
The Dimensions of Conditionality.....	13
Developing Democracy in the New Millennium.....	16
References.....	18

## **Abstract**

This background paper reviews the extant research and debates on the causes and consequences of democracy to provide guidance to the international donor community on the key conceptual and methodological issues surrounding democracy promotion and aid conditionality. To this end, it examines the conceptual debate surrounding the meaning of democracy and provides three working definitions; provides a review of the different strategies and efforts to measure democracy; examines the empirical findings on the causes and consequences of democracy; and concludes with a discussion of the dimensions of aid conditionality by examining the efforts by the USAID, the World Bank, and UK Department for International Development (DfID) in linking measures and assessments of governance to the allocation of aid.

## **Introduction**

The causes and consequences of democracy have long been at the forefront of scholarly research and policymaking in an effort to understand and develop the conditions that are supportive of democracy, as well as work towards demonstrating the tangible benefits that come from establishing democracy around the world. One body of work using increasingly complex and statistically sophisticated cross-national research has sought to test competing theories and propositions concerning both the *establishment* and *maintenance* of democratic rule. Another body of work examines the tangible benefits of democracy at the domestic and international level, including better and more equitable economic development, as a basis for long-term intra-state and inter-state peace, the promotion and protection of human rights, and a greater guarantee for human security. Across these different areas of work, it appears that democracy features as both an *end* in itself, as well as a *means* to achieving other related outcomes that benefit humanity.

Democratization studies and comparative democratization programmes have developed throughout the academic world, most notably in Europe and the United States, while attention within the international donor community has gradually shifted from a narrow focus on sound financial management to notions of good governance that include the rule of law and protection of human rights, and in certain cases, democracy. For example, on 1 May 2007, Hilary Benn, the UK Secretary of State for International Development publicly announced DFID's commitment to democracy as a preferable institutional arrangement for countries to tackle poverty reduction and to 'share out the benefits of development'. In addition, the foreign policies of powerful states in the world have included support for civil society groups and nascent political party organisations in transitional countries; state building, institutionalization, and the specification criteria for appropriate and acceptable forms of democratic rule; and in the case of US and UK policy in Iraq and Afghanistan, armed intervention to depose existing regimes and construct democracy through force.

Analysis and policy making in the area of democracy of the kind outlined here is predicated on definitions of democracy, measures and assessments of democracy, as well as the identification of significant empirical relationships and entry points to help build democratic institutions and develop a long term democratic culture within transitional societies. This paper contributes to this agenda in several ways. First, it outlines different definitions of democracy that have informed policy makers and analysts, including procedural democracy, liberal democracy, and social democracy. Second, it reviews and assesses the main ways in which democracy has been measured including ‘all or nothing’ categories, ordinal scales and international rankings coded by experts, objective measures using key indicators related to elections and party systems, and hybrid measures that combine objective indicators with expert judgements. Third, the paper examines the different ways in which aid conditionality policies have increasingly taken on board questions of democracy, good governance, and human rights in the formulation of long-term partnerships with recipient countries, including the US government’s Millennium Challenge Account (MCA), the World Bank’s Country Policy Institutional Assessment (CPIA), and DFID’s country governance assessment (CGA).

## **Defining Democracy**

Democracy is a classic example of an ‘essentially contested’ concept (Gallie 1956), since there is not now, nor will there likely be, a final consensus on its definition or full content. Nevertheless, there are certain features of democracy about which there is significant consensus and the world has countless examples of democratic *practices* that have existed over long periods of time and have now advanced across vast geographical spaces. The idea that democracy is a form of governance based on some degree of *popular sovereignty* and *collective decision-making* remains largely uncontested. But it is the concern over the additional features to this basic formulation that have produced significant and serious debate about the different definitions of democracy. For the purposes of this chapter, these definitions of democracy include *procedural democracy*, *liberal democracy*, and *social democracy*, which are now considered in turn.

Procedural definitions of democracy, made most notably in Robert Dahl's (1971) seminal work *Polyarchy*, include the two dimensions of *contestation* and *participation*. Contestation captures the uncertain peaceful competition necessary for democratic rule, a principle which presumes the legitimacy of some opposition, the right to challenge incumbents, protection of the twin freedoms of expression and association, the existence of free and fair elections, and a consolidated political party system. Participation captures the idea of popular sovereignty, which presumes the protection of the right to vote as well as the existence of universal suffrage. Liberal definitions of democracy maintain concerns over contestation and participation, but add more explicit references to the protection of certain human rights. Liberal definitions include an *institutional* dimension that captures the idea of popular sovereignty, and includes notions of accountability, constraint of leaders, representation of citizens, and universal participation. But it adds a *rights* dimension, which is upheld through the rule of law, and includes civil, political, property, and minority rights. Social definitions of democracy maintain the institutional and rights dimensions found in liberal definitions of democracy but expand the types of rights that ought to be protected, including social and economic rights.

Taken together, these three definitions of democracy share certain features such as the notion of peaceful competitive politics and some form of participation, but then add further features meant to protect individuals and groups across increasingly wider aspects of their lives. Procedural definitions of democracy identify the minimum requirements for upholding participatory competitive politics. Liberal definitions include the full protection of civil, political, property, and minority rights, which are meant to curb the possible negative consequences of democratic governance based on majority rule only. Social definitions include additional protections for economic and social rights, which are seen as essential for the full participation of citizens in the collective decisions that may affect their lives. There are thus 'thin' and 'thick' definitions of democracy, the differences in which are inexorably linked with the degree to which scholars have been able to measure and analyse the patterns in the emergence, maintenance, and performance of democracy.

## **Measuring Democracy**

Social science measurement establishes a direct link between background concepts and indicators by providing a systematised version of the background concept, operationalising the systematised concept, and providing meaningful 'scores' that vary across units of analysis (Adcock and Collier 2001). With respect to the measurement of democracy, the numerous measurement efforts in political science tend to specify democracy in its minimal and procedural form or provide indicators for the institutional and rights dimensions that comprise liberal definitions. Fully specified measurements of social democracy have thus far remained elusive, which can be explained in part by the political culture and ideology of (American) political science itself, which privileges narrower definitions of democracy, and explained in part by the serious methodological challenges that have yet to be overcome in providing valid, meaningful, and comparable measures of economic and social rights (Landman 2004, 2005a, 2005b, 2006).

Social scientists have adopted a number of strategies to measure democracy for empirical analysis, including categorical measures, ordinal scale measures, objective measures, hybrid measures of democratic practices, and perceptions of democracy based on mass public opinion surveys. This quest for comparability and broad temporal and spatial coverage, however, has meant a certain sacrifice in the ability for these measures to capture the context-specific features of democracy. In response, the International Institute for Democracy and Electoral Assistance (IDEA) has developed an alternative framework for democracy assessment that moves away from country ranking and external judgment to comprehensive assessment based on national assessment teams led by governments or civil society and academic institutions. There is scope in the framework for using extant measures while at the same time incorporating much more context-specific information on the quality of democracy that can then be linked to domestic processes of democratic reform. These measurement and assessment strategies are considered in turn.

### *Democracy as an 'All or Nothing' Affair*

Seymour Martin Lipset (1959) established the first set of categorical measures of regime type that were used for cross-national quantitative analysis, which ranged across a 'democracy-dictatorship' continuum including stable democracies, unstable democracies, unstable dictatorships, and stable dictatorships. More recently, Przeworski, Alvarez, Cheibub, and Limongi (2000) developed a dichotomous classification scheme using a set of criteria for judging whether countries are democratic or authoritarian. To qualify as a democracy under their set of criteria, a country must have had its chief executive elected, its main legislative body elected, and it must have more than one political party. These criteria are quite narrow and specifically exclude questions of accountability, freedom, participation and rights, among others. The categorisation also rests on the assumption that democracy is an 'all or nothing' affair, which is coded as 0 or 1, and tries to avoid over-counting the number of democracies in the world. Despite these assumptions and narrow focus, this method has provided democracy measures with a wide spatial and temporal coverage for use in global quantitative comparative analysis. Typically, the resulting data sets include over 150 countries for between 40 (Przeworski, Alvarez, Cheibub, and Limongi 2000) and 100 years (Boix 2003). Indeed, for those studies reaching back into the 19<sup>th</sup> Century, democracy is specified in even more minimal fashion to include free and fair elections, accountable executives, and at least fifty percent enfranchisement for the male population (see Boix and Stokes 2003).

### *Democracy Scales*

Ordinal scale measures of democracy also specify a set of criteria for judging countries, but unlike the categorical measures, they assume democracy to be more continuous and provide scales that range from low to high values. For example, the *Polity* data series takes into account both the *democratic* and *autocratic* features of countries, while its combined score on democracy ranges from -10 for a full autocracy to +10 for full democracy (see Jagers and Gurr 1995). Freedom House has two separate scales for political and civil liberties that range from 1 (full enjoyment of liberties) to 7 (full restriction of liberties), which have often featured in cross-national comparisons in some combined form as a measure of democracy (see [www.freedomhouse.org](http://www.freedomhouse.org), and Burkhart



and Lewis-Beck 1994; Helliwell 1994). These scales provide greater variation in the level of democracy (as opposed to an ‘either-or’ classification) and have wide ranging spatial and temporal coverage (e.g. between 194 and 200 countries and territories for over 30 to 200 years). While these measures provide greater variation in democracy, criticisms have focussed on their less than transparent coding rules (especially Freedom House), their illogical form of aggregation into single indices that does not take into account trade offs between the institutional and rights dimensions, their inability to differentiate the democratic performance of those countries at the extreme ends of the spectrum (i.e. among mature democracies and highly authoritarian regimes), and the possible presence of ideological biases (Freedom House in particular) (see Munck and Verkuilen 2002).

### *Objective Measures of Democracy*

Objective measures of democracy move away from a fixed set of criteria and judgements about country locations either into categories or on particular scales and concentrate instead on available indicators of democratic *practices*. Tatu Vanhanen (1997) specifies democracy in minimal and procedural fashion along the lines of Robert Dahl and then provides separate measures of contestation and participation. He uses the percentage share of smallest parties in the national legislature (100 minus the share of the largest party) as a measure of contestation and he uses the percentage turnout in national elections as a measure of participation. These two measures are then multiplied together and divided by 100 to produce an ‘index of democratisation’. While this measure moves away from subjective and judgemental categories or scales, quite a few problems remain. First, the measure of contestation does not take into account the electoral system, which has a direct relationship with the effective number of parties in the legislature (see Lijphart 1994a, 1999). Countries with single-member district electoral systems tend to have a smaller number of parties than countries with proportional representation, which may lead to the false representation of contestation. Second, many countries have compulsory voting laws, which necessarily compromises the validity of turnout as a measure of voluntary participation. Nevertheless, the measure has been used alongside other measures of democracy for quantitative analysis (see Landman 1999).

### *Hybrid Measures of Democracy*

Another strategy is to use objective indicators alongside subjective ones to create a hybrid measure of democracy. Staffan Lindberg (2006: 21-51) adopts this strategy and focuses exclusively on three dimensions of elections: participation, competition, and legitimacy. His objective indicators include voter turnout, the winning candidate's percentage of votes, the largest party's percentage of seats, and the 2<sup>nd</sup> party's percentage of seats. His subjective and categorical indicators include a measure for the freeness and fairness of the election, the opportunity for the opposition to participate, whether an incumbent autocrat has been removed from office, whether there has been a turnover of power, whether the losers have accepted the outcome, whether the election was peaceful, and whether the newly elected regime survives. Unlike other efforts which aggregate these separate indicators into an overall index of democracy, Lindberg (2006) keeps them separate. But like Freedom House, his subjective indicators may have some bias as no inter-coder reliability tests have been carried out.

### *Perceptions of Democracy and Trust in Institutions*

Finally, in addition to these measures of democracy, another measurement strategy avoids making external judgements against pre-established criteria or using the kind of objective measures outlined above and relies instead on public perceptions of democracy through the collection of individual level survey data. Such data provide an indication of the degree to which mass publics support democracy in general, as well as provide indicators on mass perceptions of the relative performance of democracy and faith in democratic institutions. The various 'barometer' studies began in Europe, and have subsequently been extended to Latin America, Africa, and are now part of the larger *World Barometer Surveys*. In contrast to the other extant approaches to democracy measurement, these data provide an indication of citizen support for democracy, which exhibits significant variation between and within regions (e.g. Lagos 1997). Survey data have been used throughout the social sciences, but the cross-national use of survey data for democracy analysis such as these rests on the vulnerable assumption that all publics have a similar 'model' of democracy in their heads when they answer standardised questions.

Taken together, categorical classification, ordinal scales, objective indicators, hybrid measures, and survey data have all been used to provide measures of democracy, and all have sought to establish a direct link with a conceptual definition of democracy, which has tended to be specified in a narrow fashion to include procedural and in some cases liberal democracy. All of the measures have aimed to provide comparability across the world and over time. In this way, the measures use definitions of democracy that ‘travel’ across many observable units that vary in time and space. This emphasis on achieving a greater scope of coverage and comparability, however, has meant that these measures are operationalised at a relatively high level of abstraction and are less sensitive to the cultural specificities of the different countries that they purport to measure.

#### *International IDEA and Democracy Assessment*

The weaknesses of these various measurement strategies led to the creation of a different framework for assessing the quality of democracy. In partnership with the UK Democratic Audit and the University of Essex, The International Institute for Democracy and Electoral Assistance (IDEA) has developed a framework for democracy assessment. Based on the twin principles of public control over decision makers and political equality of those who exercise that control, the framework comprises a series of mediating values, and search questions across four main elements. These elements include citizenship, law, and rights; representative and accountable government; civil society and popular participation; and democracy beyond the state. The framework has been applied in over twenty countries by government-led and citizen-led teams of assessors across developed and developing countries. After its initial success, it featured prominently in the Fifth and Sixth International Conferences for New and Restored Democracies (ICNRD-5 and ICNRD-6) hosted by Mongolia and Qatar, respectively. The framework has proven to be flexible and adaptable to different country contexts while at the same time providing a systematic method for the collection, organisation, and analysis of qualitative and quantitative information across a wide-ranging set of democratic features. The framework is different from other efforts to measure and rank democracy in that it uses primarily the

citizens of the country under assessment to carry out the assessment and it links the findings of the assessment to an agenda for democratic reform.

## **Causes and Consequences of Democracy**

The various forms of measurement have been used in large-scale analysis that has thus far examined important questions on the emergence, maintenance, and consequences of democracy. Since the early work of Lipset (1959), who declared the ‘more well to do a nation, the more likely it is to sustain democracy’, scholars have analysed the economic requisites of democracy. Whether democracy is measured in categorical or scalar terms and regardless of the time period used, global comparative analysis has consistently shown a positive and significant relationship between high levels of economic development and democracy. Such a consistent finding has led either to the weak claim that the two are *associated* with one another or to the strong claim that economic development *causes* democracy. Both claims try to identify the *endogenous* and *exogenous* factors for the emergence of democracy. Endogenous explanations argue that changes internal to the process of economic development necessarily lead to a series of social and political changes that culminate in democracy. Such factors have variously included the rise of an enlightened middle class (Lipset 1959), the push for inclusion by the working classes (Rueschemeyer, Stephens, and Stephens 1992), and changes in the relative distribution of land, income, and capital (Vanhanen 1997; Boix 2003; Boix and Stokes 2003).

Exogenous explanations argue that factors external to processes of economic development help establish democracy, including changes in the relative power and strategic interaction of elites within authoritarian regimes (Geddes 1999), the strategic interaction between elites in the regime and elites in the opposition (Przeworski 1991; Colomer 1991, Colomer and Pascual 1994), and social mobilization for individual rights of citizenship (Foweraker and Landman 1997), as well as important international factors such as diffusion, contagion, coercion (Whitehead 1996), and globalization (Li and Reuveny 2003). Economic development is not absent from such exogenous explanations. Rather, they argue that once democracy has been established in countries with high levels

of economic development, it tends not to collapse (Przeworski, Alvarez, Cheibub, and Limongi 2000). In this way, economic development supports the process of democratization but it does not determine it (Landman 2001: 235-239).

Despite the statistical robustness of these studies, they beg the crucial question as to why there is now a large selection of poor countries in which democracy has been sustained. The identification of such 'outliers' should be of tremendous interest to the policy makers within the donor community. The most robust statistical analysis conducted on a global sample of countries claims to have settled the question as to the relationship between development and democracy (Przeworski, et al 2000). The study argues that the statistically significant relationship between development and democracy accounts for the survival of democracy and not its emergence in its first place. As outlined above, the findings support the *exogenous* theory of democratization, but more importantly, the statistical results suggest that once democracy is established in a country with a per capita GDP of \$5,500 (indexed to 1995), then the probability of democratic collapse drops to near zero. This finding holds for those already democratic countries that manage to grow their way to this same amount. While the generalization suggests that any number of factors lead to the establishment of democracy and that long term patterns of economic development will provide additional support to the survival of democracy, they do not necessarily provide practical policy advice for countries and the international community working in those countries struggling to either establish or maintain democracy under conditions in which such high levels of per capita GDP are not possible to achieve in the foreseeable future.

There are many transitional societies and some 'old' democracies that have nowhere near this kind of per capita GDP. For example, those countries that have less than \$5,500 per capita GDP in 2005 US dollars in descending order that have experienced no democratic breakdown during the third and fourth wave include Costa Rica, Argentina, Uruguay, Brazil, Bulgaria, Jamaica, Namibia, El Salvador, Guatemala, Honduras, Paraguay, Bolivia, Nicaragua, India, and Mongolia (see World Bank world development indicators). The analysis in Przeworski et al (2000) suggests that there is still a high probability of

democratic breakdown in any one of these countries since they have not achieved the threshold of per capita GDP; however, such analysis offers no hope for policy makers and national leaders who are keen to consolidate democratic achievements, construct democratic institutions, and build long term cultural attachments to the idea of democracy such that it becomes ‘the only game in town’ (Linz and Stepan 1996). Indeed, for most of these countries, achieving such high levels of per capita income is a long way off.

An additional challenge lies in the quality of democracy itself. The extant analyses on development and democracy have been more concerned in explaining the emergence of democracy, and have had less to say about the quality or performance of democracy itself. Efforts to describe the third and fourth waves of democracy using institutional and rights measures have shown that while the world has witnessed a dramatic growth in the number of democracies, the latest waves have largely been comprised of ‘illiberal’ democracies (Diamond 1999; Zakaria 2003). Illiberal democracies are particularly good at establishing the basic institutional mechanisms and protections for holding relatively free and fair elections, maintaining a relatively free press, guaranteeing freedom of expression, and protecting rights to assembly and association for the development of political parties, civil society organisations, and trade unions, but they are less good at protecting citizens from ethnic, religious, and gender discrimination, and arbitrary detention, torture, ill treatment, and death in custody. There is thus a significant gap between the procedural and institutional dimensions of democracy on the one hand and the protection of civil and minority rights on the other. Human rights advocates add that these illiberal democracies are equally bad at guaranteeing the protection of economic and social rights and point to persistent problems with social exclusion and limited forms of access to justice, which mean that although citizens are legally equal, they remain socially unequal.

There are a variety of institutional and cultural explanations for the presence of such illiberal democracies. Institutionally, analyses have shown that presidential democracies, and especially those with multi-party systems, are inherently more unstable, prone to breakdown, and susceptible to extra-constitutional behaviour of presidents that makes the

protection of rights precarious (Stepan and Skach 1994; Foweraker and Landman 2002). Parliamentary systems and so-called ‘consensus democracies’ perform better across a range of indicators including political stability, economic performance, and minority and other rights protections (Lijphart 1994b; 1999). Other institutional explanations focus on weak and less than independent judiciaries (Méndez, O’Donnell, and Pinheiro 1999), corruption, reserve domains of military power, and vestiges of past authoritarian practices (of either the left or the right) (Linz and Stepan 1996), and state capacity itself in providing the kinds of protections and guarantees that make democracy possible. Cultural explanations for the presence of illiberal democracies concentrate on patrimonial and neo-patrimonial forms of rule (Bratton and van de Walle 1997), and consistent levels of mass popular support for security and the quick prosecution of criminals that undermine fundamentally a commitment to human rights standards.

On a more optimistic note, scholarly research on the consequences of democracy shows that democracies have significantly better human development records (Ersson and Lane 1996) and are no worse at promoting growth than authoritarian regimes (Przeworski, Alvarez, Cheibub, and Limongi 2000). Despite the problem of illiberal democracy, democracies *are* better at protecting ‘personal integrity rights’ (Poe and Tate 1994; Davenport 2001), where dramatic improvement in rights protection is evident after the first year of a democratic transition (Zanger 2000), as well as after successive rounds of elections, at least in Africa (Lindberg 2006). Democracies (especially new democracies) are also more likely to participate in the international human rights regime through ratification of human rights treaties. Fourth wave democracies tend to ratify more international human rights treaties with fewer reservations followed by third wave democracies and established democracies. But the inverse is true for the actual protection of human rights, where mature democracies have better human rights records than third and fourth wave democracies, respectively (Landman 2005b).

Beyond the propensity for democracies to commit themselves to international human rights obligations, they also show a much lower propensity to get involved in ‘international entanglements’. Research on the ‘democratic peace’ has shown that since

the middle of the 19<sup>th</sup> Century, pairs of democracies do not go to war with one another (Levy 2002) and beyond outright engagement in warfare, research has also shown that democracies are simply more pacific than authoritarian regimes. For example, using a cross-national and time-series data set of pairs of states (dyads) from 1885 to 1992, Russett and Oneal (2001) show that the probability of a militarised dispute between two countries is greatly reduced if both countries are a democracy, even after controlling for classic 'realist' factors such as relative power, distance, and contiguity. They have also shown that the presence of one democracy in the pair reduces significantly the propensity to engage in a militarised dispute with another country, suggesting that democracies are simply less conflict-prone than authoritarian states. In addition to democracy lowering the probability of inter-state and intra-state conflict, it also appears to be the preferred system for ensuring greater protection of human security (Large and Sisk 2006).

Taken together, the scholarly research on the emergence, maintenance, and consequences of democracy has revealed a set of fairly consistent set of findings that should be of interest to the larger international policy and donor community. Whether one believes that economic development causes or supports democracy and democratic stability, it is clear that an increasing resource base enhances the types of choices available to ordinary people as well to governments in ways that ought in the long run to curb the propensity for conflict and threats to democracy. Support for democratic institutions, particularly those mechanisms for vertical and horizontal accountability that provide for significant oversight and scrutiny of state actors is key agenda item to make political *practices* under the rubric of democracy become more in line with the normative expectations typical of democratic theory. Finally, the peaceful consequences of democratization, whether in terms of inter-state conflict, intra-state conflict, or general levels of human security suggest that whether one agrees with Churchill's famous edict or not, democracy is the most preferred form of political regime across the globe.

### **The Dimensions of Conditionality**

In many ways, the international donor community has increasingly recognised the value of encouraging democratization, although there are hugely differing views on how this is



meant to be achieved. The United States draws on its contrasting experiences of democracy promotion. On the one hand, it helped rebuild Europe after the war through the Marshall Plan and attempted to support democracy in Latin America through the Alliance for Progress and related aid packages. This peaceful extension of aid and support has continued in the post-Cold War period, where US aid is extended to civil society and political party organisations in transitional societies in an effort to build democracy from the ground up in ways that will generate stable democratic institutions and regular multi-party competitive electoral processes. On the other hand, it has a history of interventionism ostensibly on behalf of democracy (especially in Latin America) since the turn of the Twentieth Century; a general policy option that has received increasing support in the current era from the neo-conservatives in the Bush administration who are committed to the idea that large-scale social and political change can be achieved through concerted effort, even if such effort requires armed intervention (see Fukuyama 2006).

The European approach, especially that which has developed in parallel fashion with the evolution of the European Union, the process of European integration, and the end of the Cold War, is one that saw a great need to ‘channel the post-Communist European elites’ strong desire to join the EU into a grand project of state reconstruction and establish clear limits on domestic political behaviour’ (Kopstein 2006: 91). The focus for democracy building has not been civil society but the state and its many institutions, where political order is in many ways preferred over freedom, at least for the initial period of transition. The passage and assimilation of European law (*aquis communautaire*), coupled with monitoring, evaluation, and progress reports from the EU, the OSCE, NATO, and the Council of Europe maintained a constant level of vigilance over institution building as a means to providing the foundation for long term democratic stability in those countries that would eventually become members of the European Union.

Since the late 1980s and 1990s, the international donor community has pursued an alternative set of policies that have increasingly linked the conditions and structures of governance to the allocation of international assistance, which have now increasingly

been adopted by governments in Europe and North America. Even though international financial institutions such as the World Bank and the International Monetary Fund continue to eschew using the word ‘democracy’ for its political connotations, both institutions recognised that there was a need to focus greater attention on good governance as means to ensuring sustainable and equitable processes of economic development (see World Bank 1992; Weiss 2000). Thus, the idea of aid conditionality is based on rewarding countries for making progress in the establishment, maintenance, and performance of ‘good’ political institutions.

Good governance has both an economic and a political dimension. The economic dimension has variously included public sector management, organisational accountability, the rule of law, transparency of decision-making, and access to information. This idea was taken on board by the OECD and EU and integrated into its requirements for development assistance. It was later expanded by the United Nations Development Programme (UNDP) to incorporate a political dimension that includes government legitimacy, government accountability, government competence, and the protection of human rights through the rule of law (see Weiss 2000). National governments have also begun to adopt this form of policy. The Millennium Challenge Account established by President George W. Bush in 2002 allocates US aid on the basis of good governance, health and education criteria, and the existence of sound economic policies that foster enterprise and entrepreneurship.<sup>1</sup> In its 2006 White Paper, the UK Department for International Development (DfID) sees good governance as a key factor in the struggle to reduce poverty, where an aid relationship is conditioned upon the partner country’s commitment to reducing poverty and achieving the Millennium Development Goals (MDGs), respecting human rights and other international obligations, strengthening financial management and accountability, and reducing the risk of funds being misused through weak administration and corruption.

These policy developments, whether from the international financial institutions or national governments all require some form of governance assessment on which to base

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<sup>1</sup> See <http://www.whitehouse.gov/infocus/developingnations/>

aid allocation decisions. Various indices have been used that draw on the measures of democracy outlined in this paper, including expert judgement scales and surveys of public perceptions. For its assessment of ‘governing justly’, the Millennium Challenge Account (MCA) uses the Freedom House measures of civil liberties and political rights, alongside the World Bank’s measures of voice and accountability, government effectiveness, rule of law, and control of corruption.<sup>2</sup> The ‘governance factor’ of the World Bank’s Country Policy Institutional Assessment (CPIA), includes indicators for property rights and rules-based governance, quality of budgetary and financial management, efficiency of revenue mobilisation, quality of public administration, and transparency, accountability and corruption. The 2006 DfID White Paper pledges to carry out a country governance assessment (CGA) for all aid recipient countries, but the method for carrying out such assessments is still being developed.

Despite the similarity of these approaches and their need for measuring democracy, good governance, and human rights, they have different approaches in developing policy responses on the basis of the results of such assessments. The MCA and CPIA have a more stringent approach, which links the allocation of aid to the achievement of a minimum threshold ranking. While both the US and the World Bank have taken into account different weightings for the components of their country assessment scores, they nonetheless link the final score to the decision to allocate aid. DfID’s approach, while still in its development phases, differs significantly from the US and World Bank models of aid allocation in that country governance assessments and human rights assessments are used to identify ways in which different aid instruments might be used to address significant governance problem areas with a view to addressing the overall goal of poverty reduction.

## **Developing Democracy in the New Millennium**

This paper has examined the extant research and international policy developments relating to the emergence, maintenance, and consequences of democracy. This work has

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<sup>2</sup> See <http://www.whitehouse.gov/infocus/developingnations/millennium.html>

necessarily relied on contested definitions and measures of democracy. Work on the emergence of democracy has privileged the economic requisites of democracy understood strongly as the causes of democracy, or weakly as supportive of democracy. This work has also used two competing understandings of democracy, where one sees it as an ‘all or nothing’ affair and the other as system of governance that ranges on continuous scale from ‘bad’ to ‘good’. The work on the maintenance of democracy emphasizes the importance of the economic dimension, as well as the institutional and cultural dimension. Finally, the work on the consequences of democracy has led to a new impulse in the international donor community to see good governance, and in certain instances, democracy, as a key factor in bringing about sustained levels of equitable development. This work has required a set off measures of country performance across a set of criteria that variously include democracy, good governance, and human rights, while the use of the measures has varied from threshold conditions for aid allocation to the identification of significant entry points to encourage institutional reform and development.

International assistance to develop democracy thus sits alongside scholarly attempts to define, measure, and compare democracy in ways that provide policy options for governments. Donor demand for simple rubrics for aid allocation based on a set of governance criteria has led to a sacrifice of validity, reliability, and context-specific information on democracy, good governance, and human rights that in turn has led to the persistence of arbitrariness in the allocation of international financial assistance. The reductionism inherent in any attempt to rank order countries will necessarily lead to an allocation of aid that will be perceived by developing countries as unfair or as unnecessarily punitive. Of the strategies outlined in this paper for developing democracy, the preferred strategy is one that uses of some form of measurement that draws on the best available data to provide a performance profile through which areas in need of assistance are identified. Rank orderings and allocation of aid are far too crude a set of instruments for providing the kind of long-term assistance needed to develop the practices, institutions, and culture that make modern democracy sustainable.

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