

Globalization and Democratization¹

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1 Introduction

Shin (2002) provides cogent overview of the spatial distribution of economic globalization, disaggregating it from globe and localizing it around the globe. This might be called globalocalization. Delong (n.d.) and Polyani (1944) also provide interesting starting points in evaluating the costs and benefits of globalization, whatever it is taken to mean. The former takes a fairly neo-liberal view of globalization as having had less impact than press, and being less evil than typically imagined. The latter is often cited as the first to recognized the putative evils of a globalizing force in the world, particularly as it is thought to erode the networks of social interactions which give meaning to local interactions. More recent critiques are widespread, but might include (Reich 1991), Rodrick (1997), and Sassen (1998). It is interesting to note that Polyani's tome was published at virtually the same time as Hayek's (1944), the former in praise of market interventions by the government to safeguard social networks, the latter denouncing the same.

It would be hard to characterize fairly all the work that has been done over the last five decades on topics directly relevant to globalization. Undoubtedly most of the work has been impressionistic with an aim to prescience. From the first critiques of the Schumann plan to the last analyses of the "battle of Seattle," a wide-ranging set of deleterious effects have been identified, ranging from destruction of labor unions, diminished productivity, decimated local industries, to declining terms of trade, pauperization of developing societies, and cultural hegemony. At the same time, proponents of globalization generally have lined up a range of benefits, which focus on increased firm productivity, diffused throughout the globe, with supply chains that efficiently extract resources at the point of greatest leverage.

The major questions that are found in the early writings of Polyani (and Hayek, for that matter) continue to motivate much of the discussion on globalization. Does globalization help to promote economic productivity and growth qua development? Does globalization promote inequality? How does globalization affect the role and efficiency of state-based institutions? How does globalization affect the functioning of the market and more broadly of the mechanisms of political economic governance?

As widespread as interest in documenting the pitfalls of globalization, clarion calls for the diffusion of democratic governance are also heard far and wide. From the U.S. government's promotion of democracy as a state building mechanism in the Clinton administration to the United Nation's declaration that "Democratization is a world movement that affects North and South, East and West. In recent years there has been an almost universal recognition that a democratic system of government is the best model to ensure a framework of liberties for lasting solutions to the political, economic and social problems that our societies face (UNDP Web site: <http://www.undp.org/governance/>)," democratization has gained central ground in discussions of governance at the state as well as global level. Apart its inherent benefits, democracy is often argued to promote both peace (viz. the democratic peace literature) and economic development (largely by avoiding the deleterious effects on health and productivity caused by conflicts). Indeed about sixty percent of the approximately 200 independent countries in the world have electoral democracies in one form or another. At the same time, very few states with an Islamic or Arab majority are electoral democracies, with leaders regularly chosen by popular mandate. Democratic countries represent the preponderance of world economic activity, with some estimates as high as almost 90%.

One of the problems that face most analyses of both globalization and democratization is that it is easy to assume that both forces occur in a vacuum. This permits many analysts to assume that any identifiable change or stasis can be attributed, for better or for worse, to one of these two "facts." It seems pretty clear that many changes are afoot around the world, not all of them a direct result of globalization or of democratization. The end of the cold war is but one example; demographic changes present another. I continue this suspect tradition in what follows, which examines two of the main themes which some years ago, the GAD program set as guiding themes. In particular, I will briefly address the first two of the

following themes, ignoring the others except as it may serve my own agenda:

- Globalization of economic processes.
- The possibilities for democracy in a globalizing economy.
- Transformations of the meaning and practice of citizenship.
- The legitimacy of political and governmental structures.
- Accountability in the face of transnational economic forces.
- Ethno-national conflict and accommodation.

What I try to accomplish is to examine some of the empirical evidence surrounding these two themes: Globalization and Democratization. This is undertaken at the most superficial of levels, for the most part, the global level, focusing on political and economic activity within the major recognized states. I limit my domain to the period since 1950, though in principle this analysis could extend back to dawn of the industrial age.

2 Expansion of Global Productivity

2.1 General Trends

There is no argument that not only has the economic output of the world grown dramatically over the past five decades, but so too has the volume of international commerce. Figure 2.1 uses data from the World Trade Organization¹ to portray these two important facts.

The general trend is clear, not only has there been a fairly constant growth in the global economy over the past five decades, but there has been pervasive expansion of the interdependency of that global economy, with the last decade or so showing overwhelming evidence of a rapid acceleration in that economic activity which is categorized as international commerce.

So taken in simplest terms, globalization and economic expansion will be two easy summaries of economic history in the last 50 years.

Obviously, this doesn't play out identically over time or space. Indeed, many critiques of this economic globalization have argued that it benefits only those already wealthy, at the same time that it also primarily harms workers in those wealthy countries. How has this expansion played out in specific countries is an important question.

2.2 Specifics: Peru

George W. Bush recently visited Peru, one of the poorer countries in Latin America. Indeed, the Colorado Office of Economic Development and International Trade just completed a mission to Peru, aimed at generating commerce.²

¹cite . Data are taken as indices, with 1990 being set to 100 in each series.

²<http://www.state.co.us/oed/ito/perubrazil32002.html>, the Web site of the Colorado Office of Economic Development and International Trade notes that "Strong industries in Peru include internet services, mining, telecommunications, environmental industry, oil and gas machinery, electrical power generation and medical equipment and supplies."

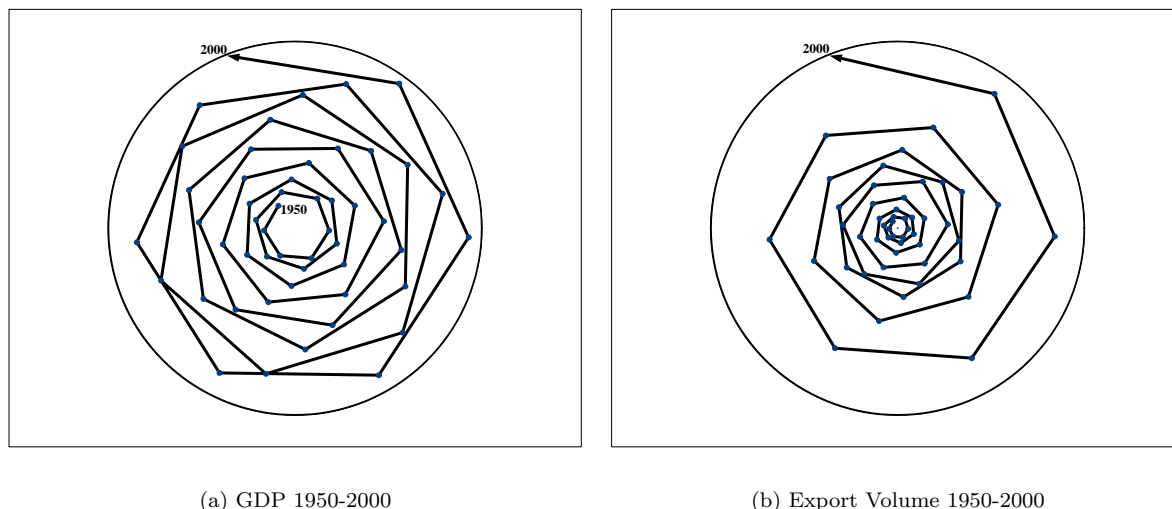


Figure 1: *There can be little doubt that global economic productivity has seen constant expansion during the period from 1950 to the present. As seen in panel 1(a) global productivity, in terms of an index of Gross Domestic Product (1990=100) continues its expansion since 1950. Even more striking is the growth of the volume global exports (1990=100), which shows both growth and (especially during recent periods) acceleration.*

Peru has about 25 million inhabitants, growing by about 2% per annum, with a growth in the labor force of almost 3%. About one-half of the population is below the national poverty line. Life expectancy is about 70 years, but infant mortality is about 40 per 1000. Adult mortality has been reduced by about one-third in the last two decades. Immunizations (DPT and measles, for example) have gone from twenty percent in 1980 to essentially 95 out of 100 infants. Literacy (90%) is high, illiteracy having been decreased by 50% in the last twenty years and school enrollment is also high. GDP has grown by a factor of 2x from 1980 to the present (20.7 to 53.5 Billion US \$). Gross domestic investment, exports of good and services have all fallen as a percentage of GDP, owing to the fairly robust growth in GDP over the past two decades. However, while GDP has grown by about 5% in the last decade, GDP per capita was overtaken by population growth. The net was about a 3% increase in output per capita. However, exports of goods and services grew by about 9% during this period, a trend that is continuing. The economy has seen its service sector grow to about 60% from less than one-half in the early 1980s. Copper exports have increased only modestly, but manufactures have grown three fold in the last decade (and terms of trade are only about 80). Total debt has grown by a factor of four, and now approaches 30 Billion \$, three-quarters of which is institutional or bilateral.³

Peru has become increasingly market-oriented, especially since 1990 following significant privatization in mining, electrical and telecommunications. Not only helped by significant foreign private investment, but also by significant investments and loans from the IMF and World Bank, its economy has begun to

³See <http://www.worldbank.org/cgi-bin/sendoff.cgi?page=%2Fdata%2Fcountrydata%2Faagfor> for The World Bank Group's summary data on Peru.

emerge from decades long stagnation.⁴

If we had to look for a typical country that would be harmed by globalization, Peru would have been a good candidate. It was dependent on agricultural products, including illegal drugs, had significant corruption, and had a fairly unskilled work force. While it is hard to argue for Peru as a poster child of globalization, at the same time it is hard to ignore that it has benefitted significantly in recent years from an increase in economic productivity as well as international commerce. While even critics of globalization have argued that it might be a boon for high or even middle income countries, Peru would not be widely recognized as falling into either category. Even if some benefits of globalization may fall disproportionately in northern lands, it is hard to ignore that (setting Africa aside) there is significant progress to be found, even in the poorest countries.

2.3 Inequality

It has been known for a long time that economic growth tends to promote inequality in the short run, though there are debates about the long term effects. Certainly critiques of globalization has brushed aside increases in economic productivity to argue that the real consequences have been to reinforce and accentuate existing inequalities.

How has inequality changed in the past five decades? Inequality is a very difficult concept to grasp, in part because it is fractal. Economists began studying inequality by a focus on distributional patterns of income within sectors of modern economies. These first studies assumed that wages would serve as a good surrogate for income on a sector wide basis. So, initially inequality was calculated on sectoral bases within individual countries. At the same time, economists and others became interested in how income was distributed around the globe, to get at international inequality. For the most part these studies used national income statistics to determine the extent to which individual countries shared equally in the world's income.

There are some significant problems with this approach, to which I return below, but what does the evidence show in broad strokes? If we use the PENN world tables data, it is not clear that there has been any remarkable increase in global inequality over the past several decades.

Those studies which suggest a large increase in the global inequality tend to be based on the PENN world tables, and other aggregate data on national level income. Several studies have been prominent in arguing for increasing inequality (Program 1999; Korzeniewicz and Moran 1997; Milanovic and Yitzhaki 2001). Indeed, using foreign exchange rates instead of PPP tends suggest a growth in global inequality over time. But these studies are offset by a sheaf of critiques which point to declining inequality also using the PENN data in a different fashion, or at least to stable patterns of inequality (Chotikapanich, Valenzuela and Rao 1997; Deininger and Squire 1996; Firebaugh 1999; Melchior, Telle and Wiig 2000; Schulz 1998)

Perhaps the most convincing study is Dowrick and Akmal (N.d.), which suggests that between 1980 and 1993 (the years most typically studied) there is a very modest increase of slightly less than two percent, about $\frac{1}{4}$ the estimates typically found in studies suggesting an increase in inequality.

Studies which use the national level data are criticized by Milanovic and Yitzhaki (2001) among others since they do homogenize each country, even when they are weighted by population. Milanovic and Yitzhaki (2001) suggests that there is really no middle class, globally. Rather, he finds a world of very rich and very poor. Unfortunately this doesn't address the issue of change.

There are two major problems yet to be overcome with the extant studies of global inequality. First among them is a reliance on national level data that does not include China. We know that Chinese

⁴<http://www.cia.gov/cia/publications/factbook/>

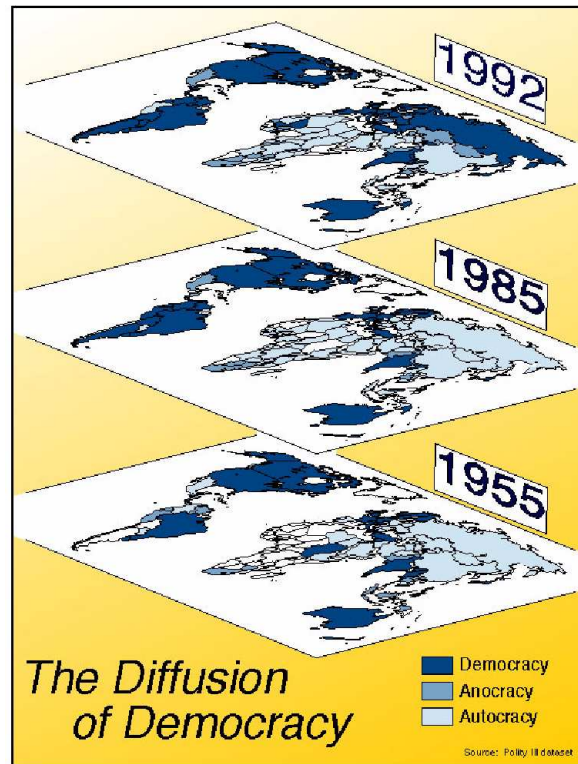


Figure 2: *An Early Poster of Democratization*

productivity has been rapidly growing, often by as much as 10 % per annum in recent years. With a population of a billion, this almost certainly will *reduce* estimates of global inequality, even if it will take China until the second half of the current century to catch up with per capita levels of economic production in Northern Europe and North America. Second, relying on the PPP data is probably a good idea, but has the consequence of typically overstating the true income figures in especially poor countries since the purchasing power goods are global, not local. The third real problem is that most studies of change are mired in the last century, typically stopping with the 1993 data.

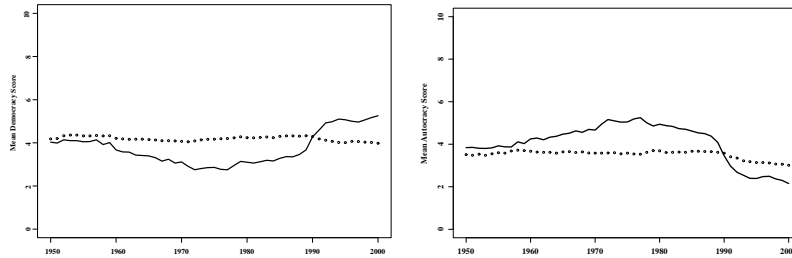
Missing out on the last decade of economic change *and* missing out on the entire productivity of China are likely to be pretty serious omissions. But both of these may well work in opposite directions, but it is unlikely that they cancel each other out.

That said, best evidence for a massive and important shift in global inequality is yet to be discovered.

3 Expansion of Global Governance

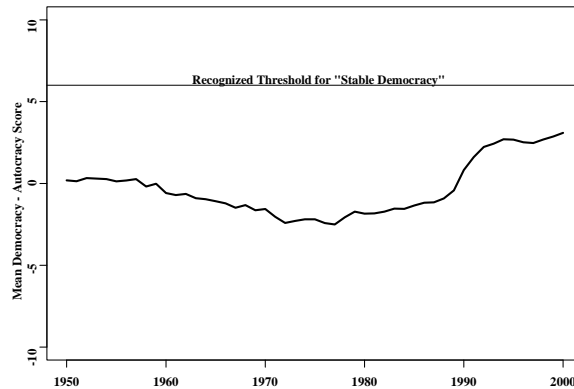
Gurr, Marshall and Khosla (2000) have produced another report on a variety of data related to global governance, much of it based on the well-known Polity scores, collected not far from here. Indeed, there is a considerable expansion of democratization by all accounts.

3.1 General Trends



(a) Mean Democracy Scores 1950-2000

(b) Mean Autocracy Scores 1950-2000



(c) Mean Democracy - Autocracy Scores 1950-2000

Figure 3:

Figure 3(c) illustrates the important trend in the average level of democratization since 1950, using the latest revision of the Polity2000 database. Mean levels of democracy have wandered downward in the 1970s, but have been on the increase more recently as democracy spreads to a larger number of countries. At the same time the mean level of authoritarianism, shows a more rapid recent decline falling on average to very low levels by 2000. Many academic as well as policy studies have used these data in combination to show the average level of democracy, as a difference of these two scales. Typically, a score of 6 on this combined democracy score indicates the presence of a “stable, mature” democracy. As is seen in Figure 3(c) visible progress in the global level of democracy is being made over the last twenty years, but as yet the global level of democracy still falls far short of that required for stable democracy in evaluating individual countries.

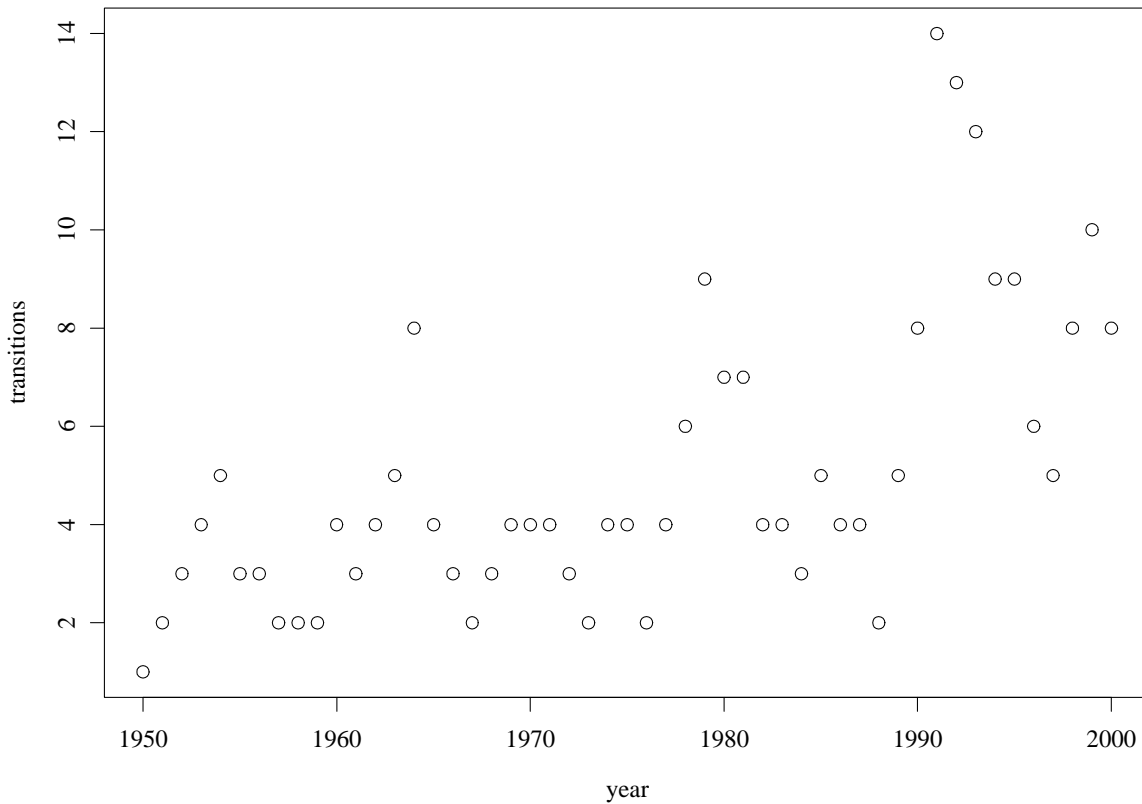


Figure 4: *Countries in some form of institutional governance transition are not typically included in accounts of democracy as reflected in the various components of the Polity codings. Here we can see the number of transitions in each year since 1950. During the first decade of this era, there are fewer than five per year. However, in the last decade of the 20th century, we see that there are always more than five per year, typically at least eight countries and frequently as many as 10 countries in transition.*

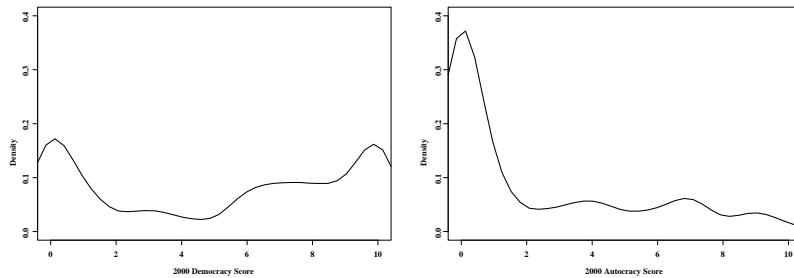
3.2 Specifics: transition states

Gurr, Marshall and Khosla (2000) note that some states have had surprising success with democratic transition, such as Bangladesh and Benin, while others are placed in a risk-prone category, having begun a transition to democracy, but lacking sufficient self sustaining institutional forces as well as facing conflictual domestic and regional environments which threaten democratic progress. These states include Russia, Bosnia, Lebanon, Jordan, Ghana. Another group of transition states are categorized as having endemic conflict and few prospects for institutionalized democratic rule: Afghanistan, Congo-Kinshasa, and Burundi.

Just as economic analysis of the globe typically ignores China, political analysis of global democracy typically ignore the states that are in transition from one level of institutional governance to another. Figure 3.2 illustrates the growth of these in recent years.

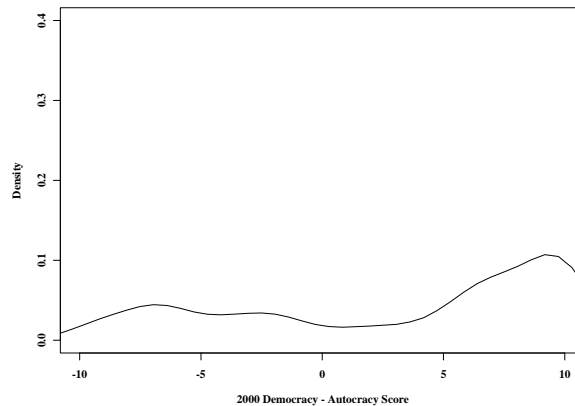
4 The most recent information

If we turn from a longer term global analysis and examine these patterns in a single year, we see a slightly different pattern of the global distribution of governance. Thus, democratization has made considerable, but still modest progress in its diffusion around the globe, by many accounts. It is easy to overlook important transitions, but the bottom line is that the waves of democratization have slowed down considerably, and the world is far from being dominated by democratically chosen leadership in contemporary nation states.



(a) Distribution of Democracy 2000

(b) Distribution of Autocracy 2000



(c) Democracy - Autocracy 2000

Figure 5: These data show the distributional patterns of measures of democracy and autocracy in 156 countries in 2000.

5 Conclusion

My conclusions are fairly simple. Economic globalization has brought with it considerable prosperity, spread fairly broadly around the globe. It is certainly not everything its staunchest proponents have envisioned.

There are many places around the globe with horrendous poverty and endemic corruption. In this sense globalization has not necessarily eliminated the barriers and imperfections that plague many countries. Markets are still messy. But at the same time, with the major general exception of Africa, many, many people around the world have benefitted from the expansion of economic activity and commerce in the last five and especially the last two decades. If a proper accounting of China were to be undertaken, it seems likely—at least to me—that global inequality will have been dramatically reduced. At the same time, while progress has been made in terms of democratization, the world is still plagued by corruption and authoritarian regimes. Progress in this regard has been slower than might have been envisioned.

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