

Does Integration Spread Democracy Through Ideas or Conditionality?*

Nikolay Marinov

nikolay@international.ucla.edu

10264 Bunche Hall
UCLA International Institute
Los Angeles, CA 90095

September 13, 2004

DRAFT

Abstract

In this paper, I draw on the experience of the European Union to ask under what conditions economic integration furthers democratization. I argue that economic integration with democratic states beyond a country's borders can help citizens resolve the dilemmas they face in holding their rulers accountable. Integration works in two ways. Through diffusion of ideas about appropriate limits on government authority, integration enables citizens to coordinate resistance to abuses of individual rights. Through credible conditionality, defined as a believable threat to deny illiberal states the benefits of economic cooperation, integration removes the ability of dictators to reward potential supporters. The theory suggests that the outside world can help democracy domestically, but only where ideas are backed by conditionality. I find support for the main argument in the experience of European integration. Importantly, there is evidence that the same mechanisms that strengthened fledgling democracies in Europe may be at work in other countries and regions of the world.

*Version 2-09.2004.

1 Introduction

One of the important arguments for extending the benefits of European Union membership to the states of Southern and Eastern Europe has been that this may help consolidate young democracies (Whitehead, 1986; Pridham, 1991). European integration provides a specific set of examples that raise much more general issues about the role of international factors for the survival of democracy. Can democracy be promoted from the outside? Under what conditions can the outside world be effective?

Traditionally, the view held by the literature has been that a country's domestic political institutions cannot be imposed from without. For liberal institutions to survive, a country must have the right domestic conditions in place. These include, for example, economic modernization (Lipset, 1959), the existence of certain culture or values (Almond and Verba, 1989), or a specific interest group structure (Dahl, 1971; Lijphart, 1984). Democracy is home-grown, put quite simply.

Yet, democracy seems to have arrived and survived in countries where the existence of propitious domestic conditions was, at least ex-ante, doubtful. Countries with a turbulent past, deep social divisions, and comparatively low level of development have embraced democracy with more vigor than many observers initially expected.¹

It may be that international factors help explain why democracy succeeded in some places, but not others. This paper asks how economic integration with the community of democratic states beyond a state's borders affects the domestic fortunes of democracy. The more dependent a country is on a set of other countries for exports or imports, access to investment or aid, the more tightly integrated it is with those countries.

Perhaps the most visionary aspects of the Rome Treaty, which founded the European Economic Communities, has been the idea that a country's access to external markets can be turned into a guarantor of political rights and freedoms.² This paper suggests that we can think of the set of incentives created by the EU as a more general strategy for encouraging democracy. By making increased access to economic benefits conditional on democratic political institutions, a democratic state or states may seek to encourage others into adopting liberal democratic institutions. This mechanism for

¹Greece, El Salvador, Slovakia, Bulgaria, Georgia, Niger, the Philippines are cases at point. One way in which scholars have sought to account for unexpected successes has been to look at elites. Agreement among key elites is seen as crucial and possibly sufficient for democracy to persist in otherwise unlikely places. See Rustow (1970), Karl (1986), O'Donnell and Schmitter (1986), McFaul (2002), among others.

²The 1950 Rome Treaty made access to the Community's integrating market conditional on democratic political institutions domestically. This conditionality has been reinforced by subsequent decisions (1962) on who qualifies for membership.

democracy promotion has been referred to as democratic conditionality.

Does democratic conditionality work? Specific cases seem to suggest so.³ But answering this question more generally involves theoretical and empirical challenges. First, it is not clear that making benefits conditional on respect for democratic political institutions would always encourage democratization. A dictator may manage to seize power, and stay in office, while shrugging off benefits that come with strings attached. Second, even if we were to find that, empirically, greater economic integration with other democracies tends to make democracy more likely, conditionality may play little role in that. Greater economic contact between countries means more contacts between groups of citizens, and so greater exchange of ideas and values. Economic integration almost inevitably proxies for the flow of ideas across borders. It could be that it is the process of diffusion of ideas that comes with integration, rather than conditionality per se, that helps the spread of democracy.

In this paper, I propose a theory of how economic integration with other democracies affects democratization. The argument builds an institutionalist explanation of democracy. I build on an argument due to Weingast (1997), which assumes that citizens have a collective interest in limiting transgressions by the government against their individual rights. Some citizen groups may stand to profit from colluding with government transgressions against the rights of others. In addition, for a group to resist government intrusions, it must be assured of the support of other groups. Such support would only be forthcoming if citizens believe that it is their common duty to resist abusive government. The problems of building a civic culture supportive of democracy and of overcoming group interests are familiar themes in all theories of democracy.

This paper extends previous work by arguing that the world beyond a country's borders has a significant role to play in whether citizens resolve the problems they face. I show, using a formal model, that a combination of outside ideas and conditionality can help citizens enforce limits on government authority. In the model, conditionality removes the individual incentive groups have to collude with predatory government. The right set of ideas from the outside enables groups to overcome their coordination dilemmas. When exposed together to the idea that democracy is the only game in town, citizens are able to correctly guess that others will resist encroachments on their individual rights.

Economic integration with other democracies helps expose citizens to the ideas, values and culture of representative government. When accompanied by a policy of

³Slovakia is often cited as an example in which the prospect of European Union membership played a significant role in the consolidation of democracy domestically. See, for example, Pridham (1999).

democratic conditionality, integration will help democracy domestically.

Importantly, integration without the benefit of conditionality has no effect on democracy. The diffusion of ideas favoring democracy, by itself, is not enough to prompt countries to adopt liberal institutions.

This project speaks to the literature on democratization in several ways.

Scholars have known that integration with Europe can contribute to democratization (Pridham, 1991). One idea is that spatial diffusion of values and ideas from the West can enhance the viability of democratic government (Kopstein and Reilly, 2000). Another is that the EU's threat to punish democratic laggards can be an effective democratization strategy. I show that these are not independently effective. Only when the benefits of diffusing values are backed up by a system of carrots and sticks, do we get movement toward democracy.

There are specific policy implications that follow. If we believed, for example, that diffusion can work by itself, the policy prescription would be for the EU to expand its cooperation with democracies and non-democracies alike. Belarus, a democratic laggard, should be treated the same way as Georgia, an unexpected success, when it comes to granting access to the EU's market. If on the other hand, credible conditionality is a key ingredient for success, then benefits should be denied to illiberal states and granted on a preferential basis to liberal states. The difference is substantial.

Another notable aspect of the argument is that it shows how integration can be effective where past history is of limited help. It is argued that one of the reasons established democracies endure is that citizens, having been socialized into a civic culture, are poised to defend their freedoms (Almond and Verba, 1989). Civic culture, virtually by definition, is the product of history and tradition. The latter cannot be imported. In many young democracies, in Eastern Europe and elsewhere, the institution of liberal government has no tradition to lean on. By providing social groups an alternative means to evaluate government behavior and respond, integration can, in some ways, substitute for history. Meanwhile, civic traditions can emerge.

This theory of integration generalizes beyond the immediate geographic proximity of Europe. Even though the European Union is, in many ways, *sui generis*, the way it helps democracy need not be. Whether in Sub-Saharan Africa or Latin America, many countries are substantially dependent on the economic opportunities provided by rich Western democracies and their economic clubs. The theory suggests that integration, accompanied by democratic conditionality, may help democratization elsewhere.

This paper is organized as follows. In the next section, I present an institutional model of democracy that incorporates integration with an outside (democratic) actor.

I also derive a set of specific testable hypotheses. I then offer some case-study evidence that shows how this theory may have worked in the cases of the EU's relations with countries in Southern and Eastern Europe. I then apply the argument to other regions of the world. I conclude by describing the policy implications of the findings for the potential, and limits on, encouraging democracy from the outside.

2 A Theory of Democratization Through Economic Integration

The literature on democratization and its determinants is enormous. This presents an immediate challenge. Incorporating the role of an outside actor requires committing to a particular conception of the domestic political foundations of liberal government.

While no particular theory will be immune to challenge, building on the institutionalist literature on democratic stability is especially attractive (Linz, 1990; Przeworski et al., 2000; Acemoglu and Robinson, 2001). Institutional approaches tend to present minimalist models of democracy. By making fewer assumptions on the structure of the underlying problem, it is easier to build consensus around the set of conditions that need to hold for representative government.

I build on two insights in the literature. First, a point that seems to attract growing agreement among scholars of democracy is that maintaining checks and balances on executive power involves non-trivial coordination problems for individual citizens (Weingast, 1997; Przeworski, 1986). Second, a powerful obstacle to democracy is the existence of political coalitions that have a distributional incentive to support a system of illiberal government (Acemoglu and Robinson, 2001). For democracy to obtain, at least two problems should be solved: that of coordinating citizen responses to tyranny, and that of overcoming conflicting group interests.

The following model starts out as a version of a model due to Weingast (1997). In contrast to Weingast (1997)'s contribution, I allow for the outside world to be part of the strategic setting citizens face. The surrounding environment is a source of ideas about appropriate sovereign behavior. The outside world is also a source of benefits and punishments, both of which may be conditioned on how citizens react to government abuses of individual rights.

2.1 The Model

The basic setup is that of two citizen groups, A and B , and a ruler, R . The ruler has a choice to transgress against the rights of one group, both groups, or not to transgress on individual rights. Groups produce the wealth of the society w . Transgressions involve the stealing of wealth. The socially efficient outcome in the game involves no transgressions by the ruler. In this outcome, each group produces half of the wealth of society, while compensating R with a rent transfer r . If the ruler is successful in transgressing against both groups, they receive nothing while the ruler manages to keep only a fraction of w . Transgressions are socially costly because groups are not given proper incentives to generate wealth. If he transgresses against one group only, the ruler appropriates some of the surplus produced by its members. The ruler shares some of the stolen surplus with the group not subject to the transgression. And some of the surplus is lost, again, because its target has no incentive to produce as much as it otherwise could. I assume that A and B are two identical groups. To simplify the analysis, I assume that, when R transgresses against one group only, the transgression targets B . Nothing would change if, instead, A were the victim, and B , the beneficiary.

I analyze a one-shot game in which R moves first by deciding between a selective transgression against B , a total transgression against A and B , and no transgression at all. The two groups move next by deciding, simultaneously, between acquiescing to the transgression or challenging it. Challenging is costly. A joint challenge can reverse a transgression, while a single challenge is defeated. Groups would only challenge if assured of each other's support. Citizens gain nothing by challenging a ruler who does not transgress. Payoffs are given by the normal form on Figure 1. I assume that $1 < r < 2 < w < 4$. This assumption guarantees that the wealth of a society is large but not unlimited, and the rents paid to rulers are positive but less than the total wealth.

The strategic problems on Figure 1 are two: (1) Can citizens coordinate their responses to abusive government? (2) What does the ruler's ability to 'bribe' some groups do to citizens' resolve to fight for their rights?

Existing theories of democracy treat these questions almost invariably as dilemmas of domestic politics. As a presumption, this suggests that the outside world has a limited, or perhaps only a superficial role, to play in that process. This is implausible. Many countries today are tightly integrated in the flow of money, goods, people and information across borders. It is, at least in principle, conceivable that the way citizens respond to government actions depends on how the outside world shapes their perceptions of appropriate government behavior. Economic activity, cultural exchange,

tourism, or other types of links may help expose significant portions of the population to a specific set of political ideas. Citizens may also perceive that certain types of economic opportunity are only available to countries that have a system of representative government. Put differently, citizens may act on ideas and incentives supplied by the outside world when enforcing limits on government authority domestically. These possibilities merit a closer look.

2.1.1 The Ruler-Constituency Game: Can Ideas from the Outside Produce Democracy?

I consider the role of the flow of ideas first. To model the way citizens form ideas and expectations based on information they learn from outside world, I allow citizen groups to hear messages about appropriate government behavior. Before it is turn for them to move, each citizen group receives a message that states one of two things: message m_1 , government transgressions are inappropriate (and should be fought) or, message m_2 , government transgressions are acceptable (and should not be resisted). I assume that these messages are private, i.e., one group need not know what the other is told when it learns the content of its message. The content of the message is not disclosed to the ruler either.

Receiving either message is not equally likely. For example, citizens are more likely to learn that transgressions are wrong if they interact more, or are in closer proximity, to other democracies. Conversely, being in a non-democratic neighborhood, or having extensive interactions with countries that lack democratic traditions, makes it more likely that a message in favor of transgressions is received. At different points of time, a different *Zeitgeist* may also favor one set of messages over another.

Because the message is derived from a common source (the outside world), when one group hears what it is told, it believes the other group is more likely to have heard the same message.

I also assume that citizens do not take their cues from outside messages only. In fact, the way citizens evaluate government performance likely depends on any number of personal, idiosyncratic factors. This means that one group cannot perfectly predict how the other will see a certain action by the government. It may be that the other group is relying on information supplied by the outside world when evaluating government

Figure 1: The Ruler-Constituency Transgression Game

R transgresses against both

		B	
		<i>Acquiesce</i>	<i>Challenge</i>
A	<i>Acq</i>	$w - 2, 0, 0$	$w - 2, 0, -1$
	<i>Ch</i>	$w - 2, -1, 0$	$0, \frac{w}{2} - 1, \frac{w}{2} - 1$

R transgresses against B

		B	
		<i>Acquiesce</i>	<i>Challenge</i>
A	<i>Acq</i>	$r + \frac{1}{4}(\frac{w-r}{2}), \frac{w-r}{2} + \frac{1}{4}(\frac{w-r}{2}), 0$	$r + \frac{1}{4}(\frac{w-r}{2}), \frac{w-r}{2} + \frac{1}{4}(\frac{w-r}{2}), -1$
	<i>Ch</i>	$r + \frac{1}{4}(\frac{w-r}{2}), \frac{w-r}{2} + \frac{1}{4}(\frac{w-r}{2}) - 1, 0$	$0, \frac{w}{2} - 1, \frac{w}{2} - 1$

R transgresses against neither

		B	
		<i>Acquiesce</i>	<i>Challenge</i>
A	<i>Acq</i>	$r, \frac{w-r}{2}, \frac{w-r}{2}$	$r, \frac{w-r}{2}, \frac{w-r}{2} - 1$
	<i>Ch</i>	$r, \frac{w-r}{2} - 1, \frac{w-r}{2}$	$0, \frac{w}{2} - 1, \frac{w}{2} - 1$

performance. But it may also be that other citizens will ignore the cues provided from the outside.

Consider an illustration. Suppose that the ruler of a country like Georgia attempts to rig elections to gain a political advantage over his opponents.⁴ Georgia's neighbors, its main political, economic partners, are likely to react. Outside reaction will send a message of approval or disapproval of the government's actions. Russia may send an approving note, while the European Union may denounce the move. Depending on which direction most of Georgia's external links go, citizens are more likely to hear one of the messages. Having learned the message, each group will guess that the other group is likely to have heard the same message. The way citizens react may then depend on knowing the message, and knowing that everyone else has heard the same message.

In another interpretation, we need not require Georgia's neighbors or partners to make official statements. Based on the amount of their own interactions with these countries, citizens are likely to have been exposed to a set of ideas about politics and government authority. Those ideas would help citizens arrive at a certain interpretation of the events that are taking place. Citizen groups would interpret the government action as appropriate or inappropriate. A group would also trust, without being certain, that other groups share its interpretation.

To make predictions about the behavior of strategic players who can rely on private messages supplied to them, game theory relies on the concept of Correlated Nash equilibrium.⁵ An important part of the concept of correlated equilibrium is the notion of "states of the world", denoted here by Ω . States of the world can be thought of as random draws by Nature N that determine which message is received by each group. Draws follow a probability distribution which is common knowledge.

I assume three states of the world for simplicity, $\Omega = \{\omega_1, \omega_2, \omega_3\}$. Figure 3 shows two possible probability distributions over Ω . One describes a scenario in which both groups are more likely to receive a message condemning government transgressions on individual political rights. The other is a scenario in which both groups are more likely to hear a message condoning dictatorial power. The ruler does not know what message each group receives (but is informed of the probability distribution over Ω). Figure 2 shows the time-line of the game. Together, Figures 1, 2 and 3 complete the description of the game.

We can understand the potential of a a flow of ideas from the outside to help enforce

⁴This scenario evokes recent events in the history of that country.

⁵See, for example, Myerson (1986), Fudenberg and Tirole (1991).

limits on government authority by studying equilibrium results under the two scenarios. I look for equilibria in which groups carry out the content of the messages they hear, fighting government transgressions when told these are wrong, and not resisting when told transgressions are right. Such equilibria have an intuitively-plausible substantive interpretation: groups act in accordance with ideas from the outside.

Some observations are in order. A well-known result in the analysis of correlated equilibria states that messages can only influence behavior if players do not have a dominant strategy.

In the game, *Acquiesce* is a dominant strategy for *A* and *B* in the subgame induced by the ruler's decision not to transgress against any group. It follows that, in any equilibrium of the game, both groups will *Acquiesce* if the ruler does not transgress.

Acquiesce is a dominant strategy for *A* in the subgame induced by the ruler's decision to transgress against *B* only. Because *B*'s best response to *Acquiesce* is to *Acquiesce*, in any equilibrium both groups play *Acquiesce* when the ruler transgresses selectively.

There is no dominant strategy for either *A* or *B* only in the subgame induced by *R*'s decision to transgress against both groups. In this subgame, messages can play a role coordinating players' responses.

I start out with the case in which both groups are likely to hear messages in favor of democracy. The following is a Correlated, Subgame-perfect Nash-equilibrium of the game: *R* transgresses against *B* only; *A* and *B* *Acquiesce* if *R* transgresses against *B* only, or against neither, irrespective of the messages they get; if *R* transgresses against both, and (i) $\frac{2}{w} \leq \frac{6}{7}$, *A* and *B* move *Challenge* if told that transgressions are wrong, and move *Acquiesce* if told otherwise, if (ii) $\frac{2}{w} > \frac{6}{7}$, *A* and *B* *Acquiesce*, whatever their message. The Appendix notes the beliefs each group holds after hearing its message. Also there are proofs for this, and all the equilibria to follow.

In this equilibrium, messages supplied by the outside world help convince *A* that if it fights government abuse, so will *B*. The same applies to *B*. This is true only for the subgame in which *R* decides on total transgression, and only for certain values of the parameters (i.e., when the value of total wealth is high enough to motivate the players to fight to retain it). If the ruler were to transgress against both, *A* and *B* may fight back.

Unfortunately, even though outside messages strongly favor democracy, the socially optimal outcome in which none of the groups is transgressed against, is not an equilibrium. The reason is that the ruler knows that *A* will support it in a selective transgression against *B*. Acting in its best interest, *R* always transgresses against *B*

while rewarding A . Conflicting group interests undermine the benefits of an outside environment supportive of limited government.

Next, I consider the case in which outside messages condone abusive government. The following strategy profile is an equilibrium: R transgresses against both A and B if $w - r \geq \frac{16}{7}$, and against B only otherwise; A and B *Acquiesce* whatever R does and regardless of the messages they get.

In this equilibrium, outside messages actually hurt citizens. They are not able to repudiate neither selective nor total transgressions by R . The problem is that even when B is told that transgressions are wrong, B 's assessment of the prospects that A is told the same is too low to justify playing *Challenge*. Knowing this, A would not abide by a message to *Challenge* either. The ruler has a free hand to choose whether to abuse selectively, or whether to transgress against both groups. Total transgression is more attractive when the wealth of society is large, and the ruler's rent is low.

What difference can an outside environment supportive of democracy make? As suggested by these results, without it, groups may fall prey to the worst abuse of despotic government. But even a favorable outside environment is not enough to secure genuine limited government.

2.1.2 The Ruler-Constituency Game: Can Ideas *And* Conditionality Ensure Democracy?

Next, I change the game by allowing for democratic conditionality. Democratic conditionality can be positive or negative. In the game, positive conditionality refers to the case in which groups are rewarded for outcomes in which the ruler does not transgress against individual citizen rights, or a transgression takes place but is repudiated. I assume that the reward is some benefit b that is given to each citizen group in those cases. Negative conditionality refers to a situation in which the groups are punished for outcomes in which a transgression, against one or both groups, takes place and is allowed to stand. These conceptions correspond to the way external conditionality is actually applied. The discussion will focus on the role of positive conditionality. As far as the game is concerned, the analysis and results are the same for negative conditionality.⁶ Therefore, the analysis is meant to apply to both cases. Figure 4 shows the normal form of the game with positive conditionality.

⁶To generate the case of negative conditionality, it is sufficient to subtract some positive punishment term p from the payoff of each group if a transgression takes place and is not jointly challenged, and if R does not transgress yet both groups choose to challenge.

Figure 4: The Ruler-Constituency Transgression Game with Conditionality

R transgresses against both

		B	
		<i>Acquiesce</i>	<i>Challenge</i>
A	<i>Acq</i>	$w - 2, 0, 0$	$w - 2, 0, -1$
	<i>Ch</i>	$w - 2, -1, 0$	$0, \frac{w}{2} - 1 + b, \frac{w}{2} - 1 + b$

R transgresses against B

		B	
		<i>Acquiesce</i>	<i>Challenge</i>
A	<i>Acq</i>	$r + \frac{1}{4}(\frac{w-r}{2}), \frac{w-r}{2} + \frac{1}{4}(\frac{w-r}{2}), 0$	$r + \frac{1}{4}(\frac{w-r}{2}), \frac{w-r}{2} + \frac{1}{4}(\frac{w-r}{2}), -1$
	<i>Ch</i>	$r + \frac{1}{4}(\frac{w-r}{2}), \frac{w-r}{2} + \frac{1}{4}(\frac{w-r}{2}) - 1, 0$	$0, \frac{w}{2} - 1 + b, \frac{w}{2} - 1 + b$

R transgresses against neither

		B	
		<i>Acquiesce</i>	<i>Challenge</i>
A	<i>Acq</i>	$r, \frac{w-r}{2} + b, \frac{w-r}{2} + b$	$r, \frac{w-r}{2}, \frac{w-r}{2} - 1$
	<i>Ch</i>	$r, \frac{w-r}{2} - 1, \frac{w-r}{2}$	$0, \frac{w}{2} - 1, \frac{w}{2} - 1$

To simplify matters, I assume that when integration is low, $b = 0$. When integration is high, $b = 1$. This means that when integration is low, the same equilibrium analysis applies as before. The messages that groups get are drawn from the probability distribution for the second scenario described on Figure 3. This is the case where citizen groups do not interact significantly with other democratic states beyond the borders of the state. There is no flow of ideas favoring democracy. There is no expectation that adhering to democratic government will be rewarded with incentives. In equilibrium, the ruler transgresses against one group or both, depending on what generates higher rents.

The more interesting case is when integration is high. Groups are more likely to hear a message that transgressions by the ruler should be fought (the first scenario on Figure 3). In addition, now groups stand to gain something from fighting government transgressions.

The principal change that takes place with conditionality is that acquiescing with the ruler's selective transgression against B is no longer a dominant strategy for A .

The following strategy profile is an equilibrium for the game with conditionality: R does not transgress; regardless of the messages they receive, A and B *Acquiesce* in the subgame induced by R 's decision not to transgress and *Challenge* in the subgame in which R transgresses against both; A and B carry out the content of their messages if R transgresses against B only.

In this equilibrium, a combination of incentives and exposure to ideas favoring democracy enables A and B to resist government encroachments on individual rights. The ruler can still sometimes bribe A to collude with a transgression, but now A is also offered an incentive by outside conditionality to come to B 's aid and fight off a selective transgression. The message A receives determines its action. Because A is most likely to learn that transgressions are wrong, A is most likely to fight. Knowing this, the ruler prefers not to attempt any transgressions.

A combination of outside incentives in the form of democratic conditionality, and exposure to ideas favoring representative government, makes the socially optimal outcome an equilibrium of the game.

3 Theoretical Implications

The model suggests that the outside world can play an important role in helping citizens enforce limits on government authority. Below, I discuss how this result contributes to what we know about the domestic roots of democratic stability. I also set the conditions

required for the result to hold.

Virtually all theories of democracy emphasize that a shared agreement between citizens on the need to defend limited government is a precondition for the stability of liberal institutions. This easily turns into a chicken and egg problem. What distinguishes stable democracies from unstable ones and authoritarian states is that the former have this kind of agreement in place. But how do countries get to that point? By having a stable democracy. A history of democratic governance ensures that citizens and power-holders are socialized into a set of shared norms and expectations favorable to liberal government.

The model suggests that the outside world is an independent source of ideas for political action. Because citizens derive some of their ideas about appropriate sovereign behavior from their experience with the outside world, a set of externally-supplied interpretations of appropriate sovereign behavior may become the basis for a domestic consensus on limited government.

Despotic rulers may attempt to block the flow of information from the outside world. Yet, often there are limits on the degree to which this can be done. Interacting with the outside world may be an economic necessity. Economic exchanges can keep individual citizens in close contact with development beyond a state's borders. Some events, such as a wave of crumbling dictatorships nearby may be too salient to hide from domestic publics.

It is also important to note that the flow of ideas from the outside world renders privately-held beliefs *common knowledge*. Citizens may privately believe that government authority should be limited but they may not be certain that others believe the same. As a consequence, collective action in defense of democracy may not materialize. When ideas are derived from a common source (such as an external actor, event, culture), an individual citizen is more likely to believe that others know what she knows about appropriate government actions.

Ideas are not a panacea. To overcome conflicting group interests, all social groups should have an incentive to support limited government. Democratic conditionality provides such an incentive. For conditionality to work, all social groups should stand to benefit from the promise of conditional incentives. Interestingly, there is no need to manipulate the incentives available to the ruler directly. This means that outside pressure for democracy may be most effective when it bypasses the incumbent in office altogether.

The model assumes that outside incentives provide substantial benefits for every social group. Outside incentives that benefit some groups but not others will generally

not work to support democracy in equilibrium.

Economic integration between a country's economy and that of a democratic state or states beyond its borders is likely to provide both an inflow of a set of ideas and the prospects of credible conditionality. Trade or aid can be used strategically as a tool to open up a political system or stick with openness, once achieved. More trade and aid with a country with a democratic traditions means that citizens are more likely to be exposed to democratic civic culture traditions.

The model generates the following testable hypotheses on economic integration and democracy:

H1 Greater economic integration between a country and a set of democracies beyond its borders will contribute to democracy when accompanied by democratic conditionality.

H2 Without conditionality, integration will not contribute to democracy.

The model does not distinguish between 'democratization' (the regime-transition) and the 'consolidation' stages of democracy (whether a transition sticks). In fact, it does not make any claims about the prior history of the country. The prediction is solely based on the kind of ideas citizens entertain and the presence of external conditionality. It is possible that states that are already democratic will take steps to be more tightly integrated with other democracies. To the extent that this is the case, international factors may prove more consequential at the democracy consolidation stage.

That there are no assumptions about the prior history of play can be interpreted as a strength of the model. It says that limited government can be enforced as an equilibrium regardless of how domestic politics has played out in the past. A historical tradition of a certain kind or a specific culture is not a precondition for democracy.⁷

The latter point is the most important distinction between this model and the original version due to Weingast (1997). Democracy is never an equilibrium in the one-shot version of that model. Agreement on appropriate limits to government can only be forged through repeated play, i.e., is conditional on the existence of past history.

Another implication of the model is that geography need not be decisive for whether representative government obtains. A country in a non-democratic neighborhood may choose or happen to be highly integrated with a set of democratic countries. Geography can be a constraint but need not be a curse.⁸

⁷For a contrary view, see, for example, Prizel (1999).

⁸For a view that favors geographic location, see, for example, Kopstein and Reilly (2000).

4 Empirical Illustrations

I proceed to offer a series of illustrations of the importance of the spread of ideas and conditionality through economic integration for democratization. While the European Union provides a rich set of cases, the prevalence of the phenomenon is not confined to the European regional context.

4.1 The Case of European Integration

European economic integration presents one particular set of test cases for the theory. The requirement that members of the European single market be liberal democracies was articulated first in article 237 of the Rome Treaty of 1950. The principle was further strengthened by the 1962 Birkelbach report of the European Parliament, which turned it into specific EC policy: “Only states which guarantee on their territories truly democratic practices and respect for fundamental rights and freedoms can become members of our Community.”⁹

The Community has never had a non-democratic member state, nor has it ever established significant formal association with a state that is not liberal. Formal insistence on the requirement for liberal credentials by the EC, and later, the EU has been credited at least to some degree for the success of democracy in Southern, and later, in much of Eastern Europe.

The success of the European Union in promoting institutions that embody free and liberal governance has been linked to its ability to credibly threaten punishment when freedoms are jeopardized.¹⁰ Part of the reason the Colonels’ regime failed to survive in Greece after 1967 were the brakes placed on the integration process by the European Commission. The suspension of the Association Treaty between Greece and the European Communities after the coup contributed to the erosion of domestic support for the regime. In 1972, 47 % of Greek trade went to the European Community (Verney and Couloumbis, 1991, p.109). Both agricultural producers and the Federation of Greek industrialists were pushing for speeding up the process of further integration.

There is evidence that the Greek colonels were seriously troubled by the EC’s decision to freeze Greece’s European Association agreement. The freeze hamstrung the Greece’s integration with the Community, limiting aid and progress on needed policy harmonization. The government of the Colonels worked to lift the freeze, threatened the European Commission with legal action, and attempted to mislead the Greek

⁹Cited in Pridham (1991, p.215).

¹⁰See, for example, Whitehead (1991, p.91).

public about the actual damage done to commercial relations (Yannopoulos, 1975; Coufoudakis, 1977). The Community refused to consider the unfreezing relations. Still, junta leaders announced to their domestic public that full membership was within reach by 1972.¹¹ Routine continuing contacts with Community officials were overblown in media reports, and cited as proof of normal relations.¹² The junta ultimately abandoned legal challenges to the Community action but only after recognizing that discussions would likely showcase the absence of democracy. High-ranking officials privately admitted that the decision to abandon legal challenge centered on the recognition that the challenge may fail, possibly cause the Community to abrogate the agreement altogether, and demonstrate that the lack of democracy was the principal hurdle to eventual membership (Coufoudakis, 1977, p.126).

Even the traditional supporters of limits on representative government among the Greek Right ultimately refused to lend their support to the military government. The Right had supported restrictions on liberalism up to 1967 on the understanding that this was the only way to keep Communists out of power while guaranteeing Western European and U.S. support. By justifying their intervention by the need to save Greece's pro-Western choice and failing to secure support in the EC, the military undermined their ability to appeal to supporters on the Right (Verney and Couloumbis, 1991, p.111).

The role of association and political conditionality as a guarantor of democracy was well-recognized by Greece's civilian leaders after 1974. Foreign minister Mitsotakis argued on the eve of Greece's entry in the Community: "Naturally, we do not expect that our nine partners in the Community to become the guardians of Greek democracy. By joining a broader group of like-minded Western democracies, however, our own democratic institutions will be reinforced, through constant contact and interchange ... They [potential dictators] are bound to know that the abolition of democracy entails immediate ostracism from the Community. This could have grave internal and external consequences. So, in this respect, the EC is a safe haven."¹³

Political transitions in Spain, Portugal and Turkey were similarly affected by the signals at the European level. Among the reasons for the short life of the Turkish general's dictatorship has been the political fallout created by the EEC's disapproval

¹¹See Coufoudakis (1977, p.124).

¹²The stance of the junta toward the economically powerful EEC is in sharp contrast to reactions to condemnation by other international guardians of liberal norms such as the Council of Europe. After Greece was, in effect, expelled from the Council over the junta's actions, interior minister Pattakos stated that the Council bothered Greece no more than 'a mosquito on the horns of an ox.' See Pridham (1991, p.222)

¹³*The Times*, December 15, 1980. Quoted in Pridham (1991, p.226).

(Karaosmanoglu, 1983).¹⁴

The current enlargement of the European Union to Eastern Europe is widely seen as continuing a tradition of encouraging democracy established in the 1960s and 1970s. Among the arguments that ultimately secured Europe Agreements (and a promise for eventual full membership) for all former members of the former Communist bloc in Eastern Europe has been the idea that membership would strengthen democracy.

The case of Slovakia is especially instructive as that of a candidate country in which democracy came closest to falling apart. Under the government of Vladimir Meciar, between 1992 and 1998 Slovakia drifted close to becoming a one-party dictatorship. A key step in Meciar's success was gaining control of the privatization process through the Fund of National Property. Government officials used proceeds from the fund to grab property and to redistribute benefits to loyal supporters. The government managed to consolidate its control over state-owned media, and over the state intelligence agency, the Slovak Information Service. The government encroached upon the independence of the judiciary branch, condoned and possibly organized political violence against dissenters. These actions brought a series of warnings about the possibility that Slovakia will be admitted to the European Union, and culminated in a highly skeptical report from the European Commission in 1997 (Krause, 2003). The government tried but was unable to misrepresent the critical nature of the report. The opposition, however, seized on it and made it a central theme of their bid to defeat Meciar. The opposition simply made the case that EU membership offered significant benefits to everyone and that the opposition had the greatest chance to lead Slovakia toward that goal.¹⁵ The elections brought disappointing results for Meciar's party and removed him from power. The successor coalition government moved quickly to remedy Slovakia's tarnished democratic credentials and secured the country's entrance into the EU.

It has been argued that the pull of European integration was important for the consolidation of democracy in other shaky democratizers in Eastern Europe: "EU leverage helped remove rent-seeking nationalists from office by tarnishing their Westernizing image, and by supplying EU membership (or simply "Europe") as a convincing electoral platform for emerging moderate parties. ... As a result, nationalist pattern governments were replaced by pro-Western reformers in elections in Romania in 1996, in Bulgaria in 1997, and in Slovakia in 1998. Later, in Croatia and in Serbia in 2000, nationalist pattern governments lost power in much the same way. In all five instances,

¹⁴Spain also endured a fleeting coup attempt in 1981. Condemnation by European leaders, lack of support among local business elites have been credited for its quick defeat (Pridham, 1991, p.235).

¹⁵Given clear signals from the European institutions that the current government represented a barrier to entry, this was not a difficult case to make. See Krause (2003, p.72).

the conduits for international influence on domestic politics were the electorate and the opposition, not the government.” (Vachudova, 2001, p.5)

Greater integration with Europe, during each of two big expansion waves, has brought greater contact between citizen networks, administrative elites and business associations in potential member states and consolidated democracies in the West. These types of exchanges have made democratic institutions and practices of government closer to citizens of future members.¹⁶ Even scholars skeptical of the value of external influences on democracy, acknowledge that a normative environment favorable to the institutions of liberal government and the EU’s credible conditionality have contributed to democratization in Europe.¹⁷

There are a number of ways in which the European Union is unique. It pools sovereign authority in a supranational set of institutions. It taxes nation-states and redistributes large amounts of aid. This may suggest that the organization’s experience may be difficult to replicate elsewhere. In addition, candidate countries in the latest wave of expansion have been asked to implement a series of structural reforms to liberalize their economies. This may have had its own separate role to play in the viability of democratic institutions in those countries.

The theory proposed in this paper argues that conditionality and a favorable normative environment are two factors that, in combination, are sufficient to aid democratization. A strength of this approach is that it suggests what aspects of Europe’s experience travel to other regions. There is already some evidence that the recipe the European Union has applied is at work elsewhere.

4.2 Beyond Europe: Integration and the Spread of Democracy

At 88, the number of democracies in 2002 exceeded the number of such countries for any year in recent history.¹⁸ While many factors are bound to have contributed to this rise, the post-Cold War international context is likely to be especially important.

The end of communism handed Western democracy a sizeable ideological victory. It has been suggested that this has produced a global normative climate favorable to democratic outcomes.¹⁹ Importantly, not only ideas have been at work. A growing number of countries in various regions of the world have been subjected to democratic

¹⁶See, for example, Pridham (1999) and Whitehead (1991).

¹⁷See Schmitter (1986, p.4).

¹⁸Based on the Polity IV dataset (Marshall and Jaggers, 2002).

¹⁹See Linz and Stepan (1996, p.74), Whitehead (2003).

conditionality, often by virtue of being members of international organizations.

Perhaps surprisingly, clauses requiring adherence to democratic principles have appeared in numerous international agreements and organizations. Free-trade agreements beyond Europe now routinely commit their members to democracy. Examples include the Mercado Comun del Sur (MERCOSUR), the Caribbean Community (CARICOM), the Andean Pact in the Americas, and Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC) in Africa. Democratic clauses have appeared in other organizations which facilitate economic cooperation between their members: the Commonwealth, the group of francophone countries, the Organization of American States (OAS), the Lome Convention. In 2001, at least 130 countries were bound in some way or another by an explicit commitment to democratic governance and principles.²⁰

Organizations that represent traditional spheres of influence for the major Western powers have also taken up the task of promoting democracy. The British Commonwealth passed the Harrare Declaration in 1991; the Group Francophonie passed the Chaillot Declaration, in the same year and the Organization of American States has passed resolutions and a special charter to that effect. In Europe's own periphery, the Council of Europe's democratization clauses impose commitments to democracy on 45 member countries at present.

The European Union has made it a practice to condition trade benefits and other aspects of economic cooperation with developing states on the presence of, or progress toward, democracy. The Lome Convention attempts to bind scores of states in Africa, the Caribbean, and the Pacific Ocean to a respect for political rights and freedoms. The United States has developed its own initiative, the African Growth and Opportunity Act (AGOA) that conditions special trade benefits for developing countries in Sub-Saharan Africa on "political pluralism". Even though the agreement falls short of actually calling for democracy, in practice trade benefits have been made contingent on it. For example, Eritrea in 2003 was denied benefits, while Gambia was allowed to participate, punishing and rewarding different performance on democracy.²¹

Finally, bilateral trade treaties may include political conditionality. The European Union has inserted special clauses that bind the parties to respect for democracy in agreements with Israel and Argentina, among others. The U.S. has extended Most-

²⁰Includes the total non-overlapping members of the organizations listed above, and the European Union. In line with the argument that these organizations promote democracy, Pevehouse (2002*a,b*) finds that as a state joins regional international organizations dominated by democracies, it is more likely to become and stay democratic.

²¹Results of the AGOA Country Review for 2003 Eligibility.

Favored Nation Status to Albania and Cambodia, in the hope of ‘helping democracy’. These appear to be the norm, rather than the exception.

Commitments would be cheap talk if they are not acted upon. Particularly after the end of the Cold War, it is difficult to come up with examples in which democracy was suspended without outside reaction, usually in the form of sanctions. In Latin America, five coups or other attempts to seize power from an elected government have been met by sanctions and protest: Haiti (1991), Peru (1992), Guatemala (1993), Paraguay (1996), Venezuela (2002). Outside reaction has met similar attempts elsewhere: Belarus (1997), Cambodia (1997), Pakistan (1999), Niger (1999), Zimbabwe (2002), Fiji (2000).²² While this does not mean that conditionality is always enforced, the contrast with the Cold War period is pronounced.

These observations suggest that the same mechanism that has been at work in the case of European integration may have aided democracy elsewhere. The spread of ideas and democratic conditionality, especially since the end of superpower rivalry in 1989, may have contributed to the unprecedented expansion in democracy as a form of government.

5 Conclusion

While scholars have recently started to question whether democracy is a purely domestic affair, how the outside world contributes to democratization domestically has remained a moot point. The theory proposed in this paper seeks to introduce a set of testable propositions to further our understanding of the issues. Ideas and incentives from a country’s external environment affects domestic political equilibria. The right combination of ideas and incentives is capable of producing and sustaining democracy as an outcome domestically.

This is, in many ways, a positive message. It argues that the outside environment may aid democracy where lack of prior experience with liberal government, civic traditions, or social divisions makes it harder for domestic actors to enforce limits on government authority. One specific policy prescription that follows is that it is not sufficient to count on the spread of ideas favoring democratic government through building citizen contacts and attempting to get the democratic message ‘out’. A policy of credible conditionality which favors representative government is a necessary condition for the effectiveness of ideas.

It is also instructive, with an eye to these results, to examine the record of democ-

²²The year sanctions were imposed is shown in brackets.

racy promotion policies by the Western states. The argument suggests that, whenever conditionality is not been enforced, for geopolitical or any other reasons, an important opportunity to enforce limits on government authority may be missed.

A Appendix

A.1 Outside Messages Only

In the subgame induced by R 's decision to transgress against both groups, A 's best response is to *Challenge* whenever A believes that B is at least $\hat{\lambda} = \frac{1}{w}$ likely to play *Challenge*. We find $\hat{\lambda}$ by:

$$\lambda\left(\frac{w}{2} - 1\right) + (1 - \lambda)(-1) \geq 0$$

Given parameter restrictions, this is a number $\in (1/2, 1)$. Because this subgame is symmetric, the same applies to B .

Suppose that the probability distribution over states of the world favors democracy (see Figure 3.) We are looking for equilibria in which groups act on the content of their messages, if at all possible.

The Correlated Nash Equilibrium that satisfies this criterion is: R transgresses against B only; A and B *Acquiesce* if R transgresses against B only or against neither, irrespective of the messages they get; if R transgresses against both and (i) $\frac{2}{w} \leq \frac{6}{7}$, A and B move *Challenge* if they are told that transgressions are wrong, *Acquiesce* if they are told otherwise, if R transgresses against both and (ii) $\frac{2}{w} > \frac{6}{7}$, A and B ignore their message and acquiesce.

1. In this equilibrium:

- (a) when A is told that transgressions are wrong, A believes B is told the same $Pr(\omega_i \in \{\omega_1, \omega_2\} | m_1) = 1$;
- (b) when B is told that transgressions are wrong, B believes A is told the same $Pr(\omega_i = \omega_1 | m_1) = \frac{0.75}{0.75+0.125} = \frac{6}{7}$;
- (c) when A is told that transgressions are right, A believes B is told the same $Pr(\omega_i = \omega_3 | m_2) = \frac{0.125}{0.125+0.125} = \frac{1}{2}$;
- (d) when B is told that transgressions are right, B believes A is told the same $Pr(\omega_i \in \{\omega_2, \omega_3\} | m_2) = 1$.

2. Given these beliefs, it is optimal for A and B to carry out their messages. The ruler chooses to transgress selectively because:

- (a) if condition (i) holds, given A 's and B 's strategies, the benefit of transgressing selectively exceeds that of total transgression:

$$r + \frac{1}{4}\left(\frac{w-r}{2}\right) > w - 2$$

- (b) if condition (ii) holds, given A 's and B 's strategies, the benefit of transgressing selectively exceeds that of total transgression:

$$r + \frac{1}{4}\left(\frac{w-r}{2}\right) > 0.25(w - 2)$$

In the case where messages favor government abuses, the Correlated Nash Equilibrium is: R transgresses against both A and B if $w - r \geq \frac{16}{7}$, and against B only otherwise; A and B *Acquiesce* whatever R does and regardless of the messages they get.

1. In this equilibrium:

- (a) when A is told that transgressions are wrong, A believes B is told the same
 $Pr(\omega_i \in \{\omega_1, \omega_2\} | m_1) = 1$;
- (b) when B is told that transgressions are wrong, B believes A is told the same
 $Pr(\omega_i = \omega_1 | m_1) = \frac{0.125}{0.125+0.125} = \frac{1}{2}$;
- (c) when A is told that transgressions are right, A believes B is told the same
 $Pr(\omega_i = \omega_3 | m_2) = \frac{0.75}{0.75+0.125} = \frac{6}{7}$;
- (d) when B is told that transgressions are right, B believes A is told the same
 $Pr(\omega_i \in \{\omega_2, \omega_3\} | m_2) = 1$.

2. Given these beliefs, it is never optimal for A and B to challenge. So, A and B never challenge if told to. The ruler prefers transgressing against both whenever there is more wealth to be grabbed this way than by sharing with A .

A.2 Messages and Conditionality

First, we note that for A to be willing to fight transgressions in the subgame that follows R 's decision to transgress against both groups, A should believe that B is at least λ_1 likely to fight:

$$\lambda_1 \geq \frac{1}{\frac{w}{2} + b}$$

This is a number $\in (1/3, 1/2)$. The same applies to B in that subgame.

Next, we note that under the same condition, B will be willing to fight transgressions in the subgame that follows a decision by R to transgress selectively.

For A to be willing to fight transgressions in that subgame, A should believe that B is at least λ_2 willing to fight:

$$\lambda_2 \geq \frac{1}{\frac{r}{2} - \frac{1}{8}(w-r) + b}$$

This is a number $\in (1/2, 8/9)$. If A is willing to challenge, B is also willing because $\lambda_2 > \lambda_1$.

The following strategy profile is an equilibrium: R does not transgress; regardless of the messages they receive, A and B *Acquiesce* in the subgame induced by R 's decision not to transgress and *Challenge* in the subgame in which R transgresses against both; A and B carry out the content of their messages if R transgresses against B only.

The conditional beliefs A and B hold having heard their messages are the same as described above for the case favoring democracy.

In this equilibrium, if the ruler abuses B , there is a small probability (0.25) that he will get away with it. The ruler chooses between selective transgression and no transgression. The latter is preferable because:

$$r > 0.25\left(r + \frac{1}{4}\left(\frac{w-r}{2}\right)\right)$$

A and B ignore their messages and challenge if R transgresses against both because, whatever they are told, their beliefs that the other will challenge always exceed the minimum required for that action. In the case of selective transgressions, conditional beliefs are such that A is willing to act on the content of the message it gets, and so is B .

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