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Political and Economic Lessons From Democratic Transitions

Isobel Coleman and Terra Lawson-Remer

Over the past three years, the world has witnessed a number of democratic transitions take root across the Middle East and Asia. Millions of oppressed people in countries once ruled by autocrats are struggling to realize freedom and shared opportunity. Other countries around the world also now teeter on the edge of transition to more free and open societies.

These movements for political freedom and broader prosperity come at a time when democracy appears to be receding, as experts such as Larry Diamond in *The Spirit of Democracy* and Joshua Kurlantzick in *Democracy in Retreat* have noted. After the fall of the Berlin Wall, democracy surged, reaching a high-water mark in the first years of the twenty-first century with various "colored revolutions" in former Soviet Bloc countries. But then democratic gains in eastern Europe, Africa, and Latin America stalled or even deteriorated as fragile democratic institutions buckled under the enormous challenges of governance. The failed U.S. attempts to impose democracy in Iraq and Afghanistan and the economic rise of autocratic China further undermined confidence in the inevitability and even desirability of democratization. As Freedom House reports in its *Freedom in the World 2013*, global levels of freedom have declined for the seventh straight year. Noted democracy scholars now talk about a "democratic recession."

If successful, the nascent democratic openings in Tunisia, Egypt, Libya, and Myanmar, along with steps toward greater freedom in other countries such as Georgia, Ivory Coast, Sierra Leone, and Malawi, could help reverse the recent regressions in democracy. Yet the transition from authoritarianism to democracy is notoriously difficult. Many countries that once seemed budding with democratic promise now appear mired in political infighting and power grabs by ousted elites, or trapped in downward spirals of poverty and unemployment. History suggests that many transitioning countries will move only slowly

toward substantive democracy—one characterized not only by majority rule through free and fair elections, but also by strong minority and civil rights protections. For quite some time, many will remain in the democratic purgatory of what experts Steven Levitsky and Lucan Way call “competitive authoritarianism” in their book of the same name—hybrid regimes with elements of both democracy and authoritarianism.

Despite a vast academic literature on democratization, the factors that allow some democratic transitions to succeed as others stall or backslide remain poorly understood by policymakers. Since the fall of the Berlin Wall, the relative importance of economic development and modernization, economic structure, inequality, governance and rule of law, civil society and media, structure of government, and education have been exhaustively debated. Rather than advancing a new one-size-fits-all theory of democratization, this book looks carefully at the statistical evidence, and backward at eight landmark country transitions over the past twenty-five years—some successful, others not so successful—to distill practical lessons for reformers in transitioning countries and policymakers in supportive outside states. By understanding the trade-offs, sequencing, and critical economic and policy decisions that transitioning countries have faced in the past, policymakers can make smarter choices to improve the chances of successful democratization in states undergoing transitions today.

The eight studies presented in this volume—Mexico, Brazil, Poland, South Africa, Indonesia, Thailand, Ukraine, and Nigeria—are not intended to be a representative sample, but instead encompass a range of experiences and outcomes with geographic diversity and high geopolitical relevance. The authors highlight the critical inflection points of each transition, rather than present an exhaustive record of each country’s trajectory. The tangible examples from the case studies, combined with insights from the statistical research, illuminate why some democratic transitions have succeeded while others have stumbled.

Each case study is organized around six themes that previous research indicates are clearly important to the process of democratization:

- socioeconomic exclusion and inclusion
- economic structure and policies
- civil society and media
- legal system and rule of law

- government structure and division of power
- education and demography

This structure allows the interested policymaker to easily compare an issue, such as rule of law, across each of the studies, and to understand the complex interplay of these themes. Through their focus on these issues, the studies illustrate a range of policy decisions and outcomes that can help guide other countries facing analogous challenges.

FACTORS THAT MATTER IN TRANSITIONS

Although policy options are inevitably constrained by context, as Stephan Haggard and Robert Kaufman explain in *The Political Economy of Democratic Transitions*, this book suggests seven major insights to assist those facing confusing and difficult trade-offs on the hard road to democracy and inclusive growth. Four of these concern initial circumstances; three involve critical policy choices once transitions begin to unfold. After laying out these insights, this chapter discusses their important implications for the pacing and sequencing of policy choices.

INITIAL CIRCUMSTANCES

Each country begins the process of democratic transition from a unique position based on its own political and economic development, but four initial circumstances play a critical role in shaping the trajectory of the transition.

Economic Growth and Crisis

Many experts once believed that economic growth inevitably led to democracy. But although most rich countries in the world today are relatively democratic, some—such as China and Saudi Arabia—have enjoyed growing economic prosperity without a commensurate increase in substantive political freedoms. In fact, history suggests that economic growth and prosperity do not necessarily lead to democracy, although a large middle class and higher overall wealth can help prevent backsliding to authoritarianism once democracy takes hold. On the other hand, short-term economic crises do trigger regime changes. Over the past three decades, many democratic transitions have been

precipitated by serious economic shocks that inflicted unacceptable costs on citizens, rupturing the authoritarian bargain.

Indonesia's remarkable and relatively sudden transition to democracy is a compelling example of economic crisis unleashing momentum for democratic freedom. With the onset of the Asian financial crisis in 1997, the frailties of Suharto's economic policies, such as corruption, debt, and a hands-off approach to corporate governance and financial regulation, became clear. The resulting discontent swept the long-ruling Suharto regime from power.

Likewise, in Brazil, almost two decades before Indonesia's transition, a structural economic crisis paved the way for the military government's fall. Brazil suffered skyrocketing inflation, plummeting reserves, and crushing debt following the global oil shock of 1979. These woes eroded confidence in the military's economic stewardship and raised questions about the authoritarian bargain of repression in return for economic growth. Protests erupted in the country's manufacturing belt, and the military embarked on a liberalization process that eventually led to the restoration of civilian rule.

Mexico had a similar trajectory as the 1982 debt crisis set off political and economic change. The governing Institutional Revolutionary Party (PRI) struggled to maintain the unity of its authoritarian coalition as government revenues fell sharply. Just as in Brazil, the crisis caused many Mexicans to rethink their authoritarian bargain—a sentiment that intensified as growth lagged and poverty increased in the ensuing decade. A devaluation forced by excessive spending and insufficient reserves during the 1994 peso crisis sparked another recession. These crises cost the PRI significant support from interest groups and the public.

The three cases of Indonesia, Brazil, and Mexico demonstrate that economic shocks under autocracy can trigger democratic transitions over a broad time frame. In Indonesia, crisis led quickly to Suharto's downfall. In Brazil, an economic shock starting in 1979 paved the way for the opposition's victory in the presidential election six years later. In Mexico, subpar economic performance, punctuated by two crises, began almost two decades before the long-ruling PRI eventually lost the presidency in 2000. In all three, however, deteriorating economic conditions were an unmistakable trigger of change. This continues to be the case around the world, as is clear from the Arab uprisings of recent years, which were sparked in part by rising food prices and frustrated economic ambitions.

Poland illustrates a related point: that a robust middle class and the other trappings of a solid middle-income country are instrumental to the consolidation of democracy once it emerges. Though Poland began its transition in 1989 with serious challenges, the communist era left a legacy of functioning and professionally staffed state institutions, a well-educated labor force, and a robust industrial base. Polish society was also relatively egalitarian. The country further bolstered these initial favorable endowments with economic policies that nurtured and expanded the middle class in the years following its transition. The relationship between economic growth, economic crisis, and political transition is by no means automatic, but the evidence is clear that shocks make regimes of all types vulnerable, whereas prosperity makes regimes of all types more stable. Statistical findings suggest, however, that democracies are less vulnerable to economic crises than are autocracies, though the reason for this is unclear. Argentina, for example, weathered an extremely severe economic crisis in 2001, but its democracy proved resilient.

Alternatively, it is clear that countries undergoing democratic transitions before achieving a sizeable middle class will face a steep road indeed. With this awareness, policymakers should be prepared for years of intensive but undoubtedly rocky economic and political engagement when lower-income countries such as Egypt embark on democratization. Leaders both inside and outside the country should insist that austerity measures be balanced with smart and effective safety nets. They should also work to educate the population about the challenges of economic restructuring and the time required to lift economic prospects.

Electoral Experience: "Fake It Till You Make It"

All but the most unapologetically totalitarian regimes now go through the motions of holding elections. Even autocrats perceive a need—both domestically and internationally—to legitimize their rule with the appearance of democratic participation. International observers often denounce these sham elections as meaningless attempts to dress authoritarian rule in the trappings of democracy with Orwellian double-speak. But the evidence suggests that the process of holding elections, even very flawed ones, creates a voting muscle memory that proves important when real elections finally occur. Elections also sow the seeds of public expectations that over time can blossom into democratic demands that cannot be ignored—and, contrary to the expectations of

elites, cannot always be controlled. In short, countries with some experience with elections tend to realize greater success in their transitions to substantive democracy.

Mexico's government in the 1970s, dominated by the PRI, took its quest for electoral legitimacy so far that when the loyal opposition failed to field a presidential candidate in 1976, the government revised the election laws to make it easier for the opposition to gain a few seats. To the PRI's surprise, when the economic crisis of the early 1980s hit, the opposition was able to use this opening to marshal civil society organizations in a campaign for more transparent elections. Although it still took many years to dislodge the PRI's single-party rule, the country's faux elections were the thin end of a wedge that helped pry open space for truly contested ones.

In Brazil, the military regime likewise tolerated an opposition it believed it could control. As economic crisis led to widespread discontent in the early 1980s, however, the military began to lose its grip on the political situation. The opposition won a surprisingly large victory in the 1982 elections for Congress and state governors, setting the stage for the military's ultimate downfall in the presidential election of 1985. Brazil's electoral process—highly constrained under military rule—took on a momentum of its own that the military could not stop.

The Round Table talks in Poland between the then-illegal Solidarity movement and the Communist government in early 1989 resulted in semi-free elections with rules designed to guarantee the Communists and their allies the majority of legislative seats. However, the Communists did not anticipate the level of voter support for the opposition or the defections that occurred from the Communist coalition. As a result, Solidarity was able to form the first noncommunist government in the region in decades.

In Ukraine, a crudely rigged election was the proximate cause for the Orange Revolution in 2004. The blatant electoral fraud by the regime provoked widespread public outcry and ignited long smoldering discontent. Although the Orange Revolution failed to produce lasting democracy, it further illustrates that even flawed elections can open the door to unexpected political change.

Finally, in Nigeria, which remains far from robust democracy, elections are one of the few political bright spots. Though flawed, the country's repeated elections are gradually fostering democratic attitudes. Even if elites are the real authorities in the selection of the president,

Nigerians today expect that they will have some kind of vote. Also crucially, it is understood that the president will be a civilian. This is a far cry from the days of military rule, when coups or threatened coups were the method of leadership change. It is unclear whether the "act" of voting will lead to a more substantive democratic opening in Nigeria, but history indicates that going through the motions better prepares citizens for that possibility. Quantitative evidence also confirms that those authoritarian regimes with partial political openness are the likeliest to become more democratic, especially if they provide for multiparty electoral competition. The lesson is that even imperfect elections can have unanticipated positive effects that foster more profound changes over the longer term.

Violence and Civil Society

Authoritarian governments, by definition, keep tight control over the levers of power in their countries. Overthrowing these autocratic systems is understandably difficult.

However, armed rebellions often fail to lead to democratization, even when regimes are overthrown. History is littered not only with failed uprisings, but also with coups d'état and violent revolutions that succeeded in nothing more than replacing one form of dictatorship with another, some of which were even worse than the autocracies they replaced—"liberators' who turn out to be totalitarians," in the words of Jeane Kirkpatrick. Nonviolent, mass mobilizations, on the other hand, have a stronger track record of laying the groundwork for democratic change—especially when these mobilizations are broadly sustained through deep public participation over time. Proponents of nonviolence, from Mohandas Gandhi and Martin Luther King to Gene Sharp, have noted that sustained peaceful protests lead to a more engaged citizenry and a better-organized civil society with a deep stake in the outcome of the transition. This sustained engagement often proves critical for staying the course during the inevitable challenges of democratic transitions.

Large-scale peaceful protests also help undermine any remnants of legitimacy that authoritarian regimes still claim, and can exacerbate intra-elite divisions. With moral clarity and a refusal to acquiesce to injustice, mass nonviolent dissent challenges the inertia of the status quo. Additionally, if autocrats resort to force to put down peaceful demonstrations, the resulting bloodshed generates moral outrage, both domestically and internationally, further undermining the regime.

Poland's experience with its trade union federation Solidarity—a social-political movement that at its peak included a quarter of the population as members—strongly illustrates how a peaceful grassroots movement can be instrumental in a democratic transition. Solidarity exercised influence through its mass of citizens willing to engage in Poland's nascent democratic government. Many present-day Polish politicians were once prominent leaders of Solidarity. The group's broad reach helped spawn a robust civil society and strong, independent media, which provided critical foundations for democratic deepening, especially during the initial stages of the transition.

Similarly, South Africa's broad-based grassroots liberation movements, though not always peaceful, opposed apartheid over decades and bequeathed a strong legacy of civil society engagement. The liberation leadership included genuine democrats committed to human rights, most notably Nelson Mandela, but also Christian leaders such as Archbishop Desmond Tutu, who helped shape liberation thinking. Their legacy of peaceful resistance is still a touchstone for South African civil society today. Indeed, over the past decade, South Africa's civic organizations have gained strength in the townships. They now play an important role in agitating for better service delivery, more accountable governance, and policies to address poverty, inequality, and high unemployment. And the country's vibrant media, a core pillar of civil society, serves as something of an opposition to the dominant African National Congress (ANC).

Indonesia also benefited from massive popular participation in its shift to democracy. In 1997 and 1998, citizens protested against Suharto's rule en masse. The following year, huge numbers voted in the presidential election. This fostered a broad sense of involvement in Suharto's downfall and the transition to democracy, making Indonesians more tolerant of the economic and political turbulence that followed. In Thailand, by contrast, citizens generally saw their transition as a deal among elites.

Although Ukraine appeared to experience a peaceful mobilization during the Orange Revolution in 2004, when hundreds of thousands of protestors filled the streets of Kiev, the crowd was in some ways a passive force lacking the depth and vibrancy of a genuine grassroots movement. Pro-Orange support came largely from western and central Ukraine, and the movement never realized country-wide mobilization, allowing the Orange camp's opponents to claim that the revolution was

a usurpation of power instead. Without sustained civil society pressure, Ukraine's political system did not undergo thorough change, and the new elites fell into the same corrupt patterns as their predecessors. Although the Orange Revolution was indeed a peaceful movement, its lack of depth and breadth contributed to a legacy of a weak civil society that has struggled to pose an effective counterweight to the country's entrenched oligarchs and democratic erosion.

Similarly, Nigeria's largely unsuccessful transition has never been grounded in a broad-based popular movement. Although the country did succeed in shifting peacefully from military to civilian rule, this was the result of a pact among leaders seeking to maintain their power and privileges inside an ostensibly democratic structure. The broader society was hardly involved. In the absence of significant popular resistance, elites have continued to use their positions for gain without promoting basic development. Given that the country's small middle class limits possibilities for sustained protest, the prospects for deeper reforms remain constrained. Had citizens been more involved in the initial transition, Nigeria might well have established a tradition of greater accountability that could have enabled more equitable enjoyment of the country's considerable resources.

Some countries, of course, have overcome violent beginnings to evolve along a path of democracy. And some dictatorships are so totalitarian that their end can come only through violence: Muammar al-Qaddafi, for example, was determined to fight his people to the bitter end. Libya's transition is not doomed by its violent birth, although the militias that helped overthrow Qaddafi—and the climate of lawlessness that resulted—now pose significant obstacles to stability. On the other hand, that such a large proportion of the population was involved in the overthrow of the regime offers hope for the long-term civic engagement so crucial for democratic consolidation, and, indeed, some civil society has begun to take root since Qaddafi's fall.

The takeaway for policymakers is not to write off countries born of violence, but to proceed with caution in abetting armed revolutions and, perhaps most important, to resist the great temptation of favoring pacted transitions—deals between elite groups—over the uncertainties and unpredictability of mass mobilizations. Foreign and multilateral policymakers should embrace the cause of populations that manage to launch and sustain a peaceful popular protest against an autocratic regime.

Neighborhood Effects

Neighborhoods are not merely geographic, although shared borders are an important element of interdependence between countries. Neighborhoods are also economic communities, such as the North American free trade bloc and the European Union; political-military alliances, such as the North Atlantic Treaty Organization; and cultural groups based on a common heritage. Neighbors exert a powerful force on the trajectory of countries with which they share interests and destinies.

Good neighbors can help fragile democracies succeed through tough times. Not only do they provide critical economic and technical assistance, they also exert constructive political pressure to bolster the democratic transition. Conversely, bad neighbors can undermine transitions by fostering power-grabbing, corruption, and authoritarian reversals—or simply by failing to provide moral, financial, and diplomatic support for democratic consolidation. These effects can come at the hands of a general neighborhood or of a single powerful neighbor, such as Russia in the case of Ukraine.

In Poland, Indonesia, and Mexico, positive neighborhood influences provided important leverage for internal reformers intent on challenging entrenched interests and proved a powerful bulwark against backsliding. Although transitions are always complex and depend on many factors, Poland clearly benefited from outside support. The International Monetary Fund, the World Bank, and various Western governments played a role. But the major influence was the European Union and its enticing prospect of membership. In addition to providing funds and expertise, these external players held Poland to conditions that cemented democratic gains, such as ensuring basic liberties and allowing oversight of government.

Likewise, outside pressure propelled Mexico's political opening. During the tenure of President Ernesto Zedillo—the last president of the PRI's long stretch in power—American business and political leaders, among others, called out Mexico's democratic shortcomings and advocated electoral reforms. Being next door to the enormous U.S. market also benefited the country, as did preferential U.S. trade policies. Indeed, Mexico's economy was transformed by the North American Free Trade Agreement, which accelerated trade and foreign direct investment. A broad middle class emerged as incomes rose and poverty and inequality declined, creating a positive feedback loop for the democratic changes under way.

Yet bad neighbors can exert an equally powerful but destructive influence. Poland's democratic success contrasts sharply with Ukraine's stagnation, in large part because of Ukraine's difficult geopolitical situation. While European countries have failed to effectively support democratic development in Ukraine, Russia has fostered its own style of business and politics there. It has backed nongovernmental organizations (NGOs) catering to Ukraine's Russian speakers, who generally opposed the Orange Revolution. Russia has also been instrumental in Ukraine's energy industry, including backing a shady gas-import scheme from which Ukrainian leaders drew hundreds of millions of dollars.

For policymakers, the lesson is to pay considerable attention to the influence of external forces—whether powerful neighbors or international organizations—on countries attempting transitions to democracy. With an understanding of the influence these forces can have, policymakers can work to leverage the impact of good neighbors while limiting and counteracting less savory forces.

CRITICAL POLICY CHOICES DURING TRANSITION

No matter what the initial starting point is of a country's transition, both qualitative and quantitative research underscore the need for policymakers to make smart choices and trade-offs in three critical areas.

Delivering on Expectations for Social and Economic Opportunities

The promise of political freedoms raises people's expectations for economic and social opportunities. The trajectory of emerging democracies depends fundamentally on whether political democratization can also deliver shared opportunity and inclusive growth to materially improve people's lives. The mere procedural freedoms of ballot box and marketplace participation are not enough to sustain nascent democracies over the longer term. Citizens—especially the poor—must also begin to realize the substantive social and economic freedoms that generate the capability to live full and meaningful lives. When they do enjoy such social inclusion and rising living standards, they reward the politicians who provide them, creating a powerful feedback loop that helps consolidate democracy. On the other hand, a return to autocracy, perhaps under a populist authoritarian, becomes more likely if the transition fails to deliver material benefits.

The challenge, of course, is that democratic transitions are inherently messy, with newly empowered groups often demanding different measures of justice and equity. Implementing economic reforms in this volatile mix is never easy, and politics often constrains economic choices. But underpinning successful democratic transitions is the imperative of not only expanding the pie, but also meeting expectations of fairness and delivering tangible benefits that materially improve the lives of those who for too long were excluded from power and prosperity.

Brazil's transition to democracy was legitimated and consolidated in large part by socially inclusive growth, which generated widely shared benefits. Starting around 1993, Presidents Fernando Henrique Cardoso and Luiz Inacio Lula da Silva managed the impressive jujitsu of unleashing new talent and investment through anti-inflationary, anti-monopoly, and pro-market economic reforms, while increasing social spending to improve equity and opportunity for the poor and middle class. Brazil had previously offered social protections for those with political connections. But as democratization proceeded, the government made safety nets universal and launched income distribution programs targeted to poor families. Among the effects was increased support for the democratic system among groups long marginalized by previous authoritarian regimes.

Brazil used two main strategies to improve the well-being of the poor: first, conditional cash transfers like Bolsa Familia that efficiently targeted the neediest while encouraging investments in human development, and, second, universal provision of social and economic rights (health care, education, and labor protections) to include blacks and other disadvantaged groups. Strong overall growth rates unlocked by market-oriented economic and legal reforms that promoted exports, ended government subsidies to crony industrialists, expanded opportunities for new entrepreneurs, and reined in inflation were also critical to Brazil's achievement of socially inclusive growth. The transition away from Brazil's long-held pursuit of import substitution industrialization and toward a market economy in the 1990s unleashed significant benefits, especially for consumers at the lower end of the income scale. Taken together, the commitment to both macroeconomic stability and socially inclusive spending laid the foundation for Brazil's sustained growth trajectory over the past decade.

Mexico, likewise, has consolidated democracy in the same period by delivering on economic opportunity for a broader cross section of

citizens. This is a marked shift from earlier decades, when the government did very little to provide social and economic opportunities for the poorest and most vulnerable groups, even as political participation began to expand. Frustrations grew most sharply in the south, home to a higher percentage of indigenous people than other regions, prompting the Zapatista uprising in 1994. But the slow growth of the 1980s and the opening of the economy to international competition in the early 1990s pushed inequality up across the country.

More recently, however, targeted social spending and safety nets have expanded significantly in Mexico. Oportunidades, a program of cash stipends conditional on children's health care and attendance in school, has greatly expanded, now benefiting around 25 percent of all Mexicans. The government has managed to protect such programs from corruption, a change from social programs mounted previously by the PRI. Thanks to these efforts, poverty is on the retreat, dropping from 70 percent to less than 50 percent since the mid-1990s. In health care, a national program targeting informal and unemployed workers has reached forty-four million Mexicans who previously lacked insurance. In an important feedback mechanism, voters seem to appreciate these benefits and to express their approval at the ballot box.

When democracy fails to deliver on material expectations, by contrast, dissatisfied and excluded constituencies often embrace authoritarian populists who promise to fight against the rich. In Thailand, the economic and social policies of the nascent democratic government were widely perceived as exclusionary, benefiting foreign investors and domestic elites at the expense of regular Thais who continued to suffer after the 1997 Asian financial crisis. This widespread resentment swept into power the populist Thaksin Shinawatra, who promised to deliver equity and opportunity for ordinary Thais but put in place an electoral autocracy that led to a coup and a streak of violent unrest.

South Africa—two decades after the end of apartheid—also needs to deliver better for the disadvantaged. Though many South Africans expected fundamental socioeconomic change, very little has occurred. In 2008, for example, the total income earned by blacks was only 13 percent that of whites, down slightly from 13.5 percent in 1995. The government's failure to deliver for more citizens has given rise to populists like Julius Malema, the expelled ANC youth leader, whose firebrand rhetoric has tapped into the seething anger of disaffected groups such as South Africa's miners.

The past few years have also seen a reversion to populist authoritarianism in other countries where democracy failed to deliver on material hopes and expectations. In Serbia and Hungary, citizens exhausted by poverty and joblessness have embraced political leaders who promise economic opportunity at the cost of political freedom. In Venezuela, the poor saw Hugo Chavez as their champion, someone committed to their well-being over the interests of foreign investors, despite his abrogation of basic civil rights.

Statistical studies have to date provided weak support for a connection between socioeconomic inclusion-exclusion and democratization. This could be due to poor data; quantitative measures of wealth distribution and social cleavages are scarce, making reliable cross-country research on this topic challenging. Yet the case study evidence is compelling that inclusion supports durable economic and democratic gains.

For policymakers, the takeaway is simple: insufficient investment in social inclusion endangers democratic stability, whereas broadening economic opportunities creates positive feedback loops. Domestic reformers and their international supporters ignore these concerns at their peril.

Rule of Law and Economic Governance

Rule of law reforms that create a fair and level economic and political playing field and protect core rights—such as free speech, religious freedom, minority rights, predictable regulations, and secure property for all—are a linchpin of successful and sustainable transitions. The rule of law safeguards against corruption and nepotism, facilitates equal opportunity, and ensures government accountability. An effective, transparent, and predictable legal system prevents well-connected insiders from amassing wealth and public assets through shady backroom deals. It also encourages citizens to believe that legal systems and public institutions work for them, rather than against them and only for elites, and thus nurtures a public more willing to tolerate the inevitable turbulence of a transition. Citizens come to see that they have a stake in seeking justice and political change through the rule of law, rather than outside it.

Over the past two decades, Poland has emerged as a paragon of inclusive democracy and a market economy built from the ashes of an oppressive state. Poland's success can in part be attributed to the fact that structural economic reforms, particularly the privatization of state-owned assets, occurred only after policymakers had put in place

a legal system that leveled the playing field for all aspirants and established strong safeguards against corruption. Initial attention to regulatory effectiveness, the rule of law, transparency, property rights, safety nets, and free speech helped ensure that privatization and other reforms proceeded smoothly.

In the economic realm, Mexico, too, has benefited from the strengthening of the rule of law, which includes obeying international treaties and following legal procedures to resolve disputes. This has helped the country attract substantial foreign direct investment, despite its challenges with corruption. Of course, Mexico's democracy faces a significant security threat that is exacerbated by a legal system not up to the challenge. Murder and other crimes related to the drug trade have spiked, with tens of thousands killed in recent years. Though the U.S. drug market plays a large role in fueling these security risks, so too does Mexico's subpar legal environment. Mexico is now taking significant strides to build a more open, transparent, and effective rule of law through efforts to professionalize the police force, combat corruption, strengthen due process, retrain lawyers, and expand forensic laboratories and evidence collection systems. Its democratic vibrancy and the sustainability of its economic and political gains hinge in large part on the successes and failures of its legal system.

Over the past two decades, Ukraine has failed spectacularly to establish a fair and impartial legal system, building a complicated and arbitrary one instead. Without equality before the law, predictability in legal enforcement, or any meaningful mechanisms of transparency, the vast majority of Ukraine's newly privatized wealth ended up in the hands of oligarchs. Although Ukraine passed privatization laws designed to ensure transparency and evenhandedness as early as 1992, these laws were never implemented. Instead, most big enterprises were sold in backroom deals at steep discounts to politically connected insiders. Small and medium enterprises (SMEs) have also shrunk in recent years. As a result, Ukrainian oligarchs have maintained a stranglehold on the country's politics, stymieing reforms that could spread opportunity to the broader population, even after the 2004 Orange Revolution brought hopes of genuine democratic progress. Ukraine's story mirrors Russia's tragedy: privatization in Russia, undertaken hastily and without an effective legal system, likewise led to the massive concentration of wealth, power, and privilege. A handful of oligarchs now control almost 40 percent of Russia's vast natural resources and industry.

The failure to build effective legal institutions also helped undermine Thailand's recent democratic aspirations. Thailand's system of commercial and family law was well established and relatively professional. However, when the courts dealt with political questions or matters involving well-connected firms, no such qualities were apparent. Even as democracy reached an apex in the 1990s, the judiciary overall remained under the control of Thailand's leaders, notably the king. Thailand's reformist constitution in 1997 was an attempt to strengthen the rule of law, but the king's continued behind-the-scenes role was more powerful than the laws on the books. Thaksin Shinawatra, elected prime minister in 2001, likewise undermined the country's new legal institutions. His opponents in the elite and middle classes then spurned official channels in the judiciary and other institutions and instead chose to fight Thaksin's rule in the streets. The result is low public trust in the judicial system, and the belief among many Thais that conflict might be the only way to resolve disagreements.

It is clear that attention to issues surrounding the rule of law is essential, especially at the early stages of a transition. If the economic and legal environments remain tilted toward elites, reforms will likely further consolidate wealth and power in the hands of well-connected insiders. Even well-intentioned reforms will not enjoy public confidence and trust in democratic institutions will suffer.

Decentralization of Government Power

Devolution of power to regional and local levels can be a critical ingredient in the process of consolidating an emerging democratic culture. Decentralization not only helps dilute the dangerous concentration of central authority often bequeathed by authoritarian regimes, but also increases grassroots accountability by bringing administration closer to the people and extends crucial bureaucratic capacity at a time when the central government's ability to deliver services often does not match the electorate's high expectations.

Decentralization can take various forms. In some cases, it can come through legislative changes that allow for the election of local and regional leaders with a concomitant devolution of fiscal and bureaucratic authority. In others, it can take the form of federalism, where power is constitutionally divided between the central authority and states or provinces, with appropriate checks and balances. In places with deep sectarian and/or regional differences, a move to federalism

can be highly fraught and spark fears of state dissolution, but it can also be a way to hold a deeply fractured country together.

Though a system with significant decentralization seems an obvious fit for the vast and diverse archipelago of Indonesia, Jakarta-based elites long resisted giving up any control. The chaotic political and economic environment of the late 1990s and early 2000s, however, led them to grudgingly accept greater devolution as a way of maintaining national unity in the face of growing separatist demands. Many believed that regions such as Timor, Aceh, and Papua would seek independence, possibly leading to Indonesia's dissolution. Under the circumstances, leaders undertook devolution, including constitutional changes that provided greater autonomy to parts of the country, as a way to preserve a measure of peace, economic growth, and secular government in a unified Indonesia. The move brought clear benefits and, according to surveys, most Indonesians approved. Separatist agitation diminished as local and regional governments gained authority and government services were decentralized. In addition, decentralization improved budget transparency as more citizens gained access to budget data, and fostered competition at regional and local levels for domestic and foreign investment.

Devolution also had positive impacts in Poland, a far more homogeneous country than Indonesia. After the failed economic and political centralization of the Communist government, Poland's early reformers prioritized effective local self-governance. A series of reforms gave local communities control over almost half of Poland's budget by the late 1990s, including education, health care, and infrastructure. Critically, increased municipal resources, including independent sources of revenue, accompanied this increase in local responsibility.

Mexico's democratization also entailed greater authority—and budgets—for its states. The country had long had a federal system under its constitution but hardly operated that way; instead, power was tightly held by the center. Democratization resulted in greater budgetary control at the state level—today, states receive about half their budgets directly from federal authorities in transfers that are outside the president's control—hindering the abuse of presidential power and enhancing local governance.

In recent years, Nigeria, too, has experienced a shift in influence away from the center and toward the states. This, however, has come not through conscious devolution but through the federal government's

weakness. Nigeria's post-transition constitution, in theory, provided for federal power sharing, but in practice, the central government has retained control over oil revenue, making states dependent on Abuja. However, a decades-long neglect of federal institutions means that today the central government is increasingly unable to provide basic services. In some places, state and local institutions are filling the gaps by default. In an otherwise bleak political landscape, the creation of space for innovative economic and political initiatives at the more accountable state level is one positive result of declining central authority. In Lagos, Cross Rivers, and Rivers states, local political leaders have seized the opportunity created by the vacuum of federal power to strengthen administrative capacity and modernize their economies. Crucially, the economies of Lagos and Cross Rivers do not depend on oil.

Devolution is not a panacea, however. In Indonesia, devolution of power brought with it a decentralization of graft. Instead of a single corrupt administration, every local official can now demand payment to grease the wheels of government and commerce, and, increasingly, they do. With respect to Mexico, many believe devolution has stymied democratization in states where one party dominates. In Nigeria, feeble federal authorities lack the means to address ethnic and religious conflict effectively, and too often default to repression.

Devolution is clearly not a silver bullet for democratization, given that its effectiveness depends on the administrative capacity and political accountability of regions and localities, but the benefits that often follow from a more decentralized, bottom-up approach cannot be ignored.

PACING AND SEQUENCING OF POLICY CHOICES

Taken together, these insights have important implications for the pacing and sequencing of reforms. Policymakers and reformers interested in nurturing democracies that will stand the test of time should focus on building vibrant civil societies and a sufficiently strong middle class that can sustain a nonviolent democratic transition. Supporting violent overthrows and coups d'état may appeal as a quick fix to oust a bellicose dictator, but they will likely only replace one authoritarian ruler with another.

In this vein, policymakers in outside states trying to encourage democratization should advance economic strategies—including trade, small-business entrepreneurship, and investment policies—that foster the emergence of a middle class, while limiting economic measures, such as investments in extractive industries, that tend to concentrate economic gains in the hands of elites.

As a transition begins to unfold, policymakers should prioritize rule of law reforms that establish strong safeguards against corruption and insider dealing. They should also deter pacts that privilege incumbents and encourage domestic pressures for further reforms. Constructive measures include the public dissemination of revenues, expenditures, and important social and economic statistics; establishment of transparent auctions to privatize public assets; reform of laws constraining civil society organizations and NGOs; disclosure of the assets and income of public officials; and capacity building of the judiciary, parliament, and civil society. Once the rules of the game are roughly in place, with some basic mechanisms of accountability to ensure that they are enforced, the government can proceed with other structural economic reforms that could have significant distributional consequences, such as the privatization of state assets.

At the same time, it is critical to prioritize economic policies and social expenditures that can deliver highly visible and broadly realized social and economic benefits in the short term. These measures should be paired with other market-oriented reforms that could inflict short-term costs but that will lay the groundwork for economic gains for everyone in the medium term. For example, immediate implementation of a conditional cash transfer program that rapidly disburses funds to the poor could be paired with the reduction of expensive but inefficient fuel subsidies.

Of course, there is no one-size-fits-all solution for what is an inherently adaptive process, so policymakers interested in nurturing democracy must be resilient, flexible, and creative as they attempt to guide their countries from oppression to freedom.