



Democracy and State Capacity  
Revisited: An Investigation of  
Democracy's Consequences  
for State Capacity

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**Democracy and State Capacity Revisited:  
An Investigation of Democracy's Consequences  
for State Capacity**

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## Abstract

Does democracy foster increased state capacity? An answer to this question has crucial implications for many countries that have democratized during the Third Wave of Democratization but demonstrate serious shortcomings in terms of state capacity. In this paper, I critically examine existing theoretical work on the topic, in particular the notion of J-shaped relationship, and subsequently develop three causal pathways through which democracy might enhance the administrative capacity of the state. Two hypotheses are derived expecting a) that a country's level of democracy affects its administrative capacity, and b) that the duration of the democratic regime affects its administrative capacity. The hypotheses are subjected to empirical assessment through a statistical, time-series cross-sectional analysis of 122 countries during the third wave. For this purpose, I use V-Dem data<sup>1</sup> which is arguably better suited for the empirical assessment compared to existing indicators. The results from the empirical evaluation suggest that the contemporary level of democracy has no robust impact whereas the extent of experience with democracy appears to have a positive and substantively interesting effect. I conclude that democracy does advance state administrative capacity, but only when considered as a cumulative, historical phenomenon.

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<sup>1</sup> The Varieties of Democracy dataset is a new dataset on democracy that includes data on almost 400 indicators of democracy in 173 countries around the world from 1900 until 2012 (for 60 countries also 2013-2014), engaging over 2,500 country experts worldwide to collect data (Coppedge et al. 2016). The country-expert data is combined into country-year estimates using a state-of-the-art Bayesian ordinal item-response theory model developed by a set of specialized methodologists (Pemstein *et al.* 2015).

# 1. Introduction

The third wave of democratization has swept the world since the 1970s and engulfed nearly all regions of the world. Consequently, a majority of the world's countries can be categorized as democratic today (Møller and Skaaning, 2013: 77). Meanwhile, many countries, including several with relatively recent transitions to democracy, have weak state apparatuses (World Bank, 1997: 2; 182; Carothers, 2007: 18). In other words, we do not necessarily observe a sequence where a fully functioning and effective state is in place before democracy gains foothold. A well-functioning state is essential for the well-being of society, and its positive effects include security, political order, economic growth and welfare (see Evans and Rauch, 1999; Rothstein og Teorell, 2008: 166; Fukuyama, 2004). Issues of low state capacity are especially pertinent in developing countries and many observers argue that: "the shortage of public [...] administrative capability is the single scarcest resource in the developing world" (Todaro and Smith, 2015: 815). It is thus relevant to examine the nature of the relationship between democratic rule and state capacity, particularly whether democracy itself may be able to strengthen the state apparatus.

The literature on this topic is surprisingly scarce. Mazucca and Munck (2014: 1238) note that the literature addressing democracy's impact on the state is at a very early stage. Bäck and Hadenius (2008) and Carbone and Memoli (2015) have investigated the topic empirically and both concluded that democracy fosters improved state capacity. However, especially Bäck and Hadenius' analysis includes serious theoretical shortcomings and both analyses employ less than ideal empirical indicators of democracy. Consequently, there is room for a revised theoretical specification of democracy's impact on state capacity as well as new empirical investigations.

In this paper, I argue that democracy has positive effects for state administrative capacity, but that this impact is a long-term, historical phenomenon. In other words, it is primarily a country's extent of experience with democracy, and not its contemporary level, that matters. I begin by critically examining the existing literature before formulating a revised theoretical proposition. In brief, I argue that democracy introduces competition-induced accountability, civil society and media monitoring as well as increased state legitimacy and implementation capacities. Taken together, these factors may exert a positive influence on the state's administrative capacity. To evaluate the argument empirically, I use the newly published Varieties of Democracy (V-Dem) data, and employ both a variable for the contemporary level of democracy variable as well as a democratic "stock" variable that captures a country's regime history since 1900. Subsequently, I conduct a series of panel regressions on time-series cross-sectional data from 122 countries since 1984. This yields over 3000 observations, which makes

this study the most encompassing in the literature. The findings demonstrate a weak relation between the contemporary level of democracy and state administrative capacity. However, a country's historical experience with democracy has a positive and substantively important effect. I conclude that democracy fosters administrative capacity, but only when democracy is considered as a cumulative, historical phenomenon.

## **2. How does democracy enhance state capacity?**

Few would argue against the proposition that a basic state infrastructure has to be in place before a political regime can democratize. For instance, speaking of democratization in present day Somalia, which barely has a centralized state, seems out of place (Carbone and Memoli, 2015: 6). While the existence of a minimal state infrastructure is a necessary starting point for democratization, it is widely recognized that state building is a continuous process that may be influenced by the political regime (Carothers, 2007: 20). Mazucca and Munck pin out this logic in the following way:

“However, as students of democratic politics and clientelism argue, the operation of democracy itself – and the component of competition in particular – can induce politicians to professionalize the bureaucracy and abandon clientelism. In other words, even if democracy is installed alongside a patrimonial administration, democracy can generate an external pressure on the administration that reduces the use of the public administration as a source of patronage” (Mazucca og Munck, 2014: 1236).

Before developing the theoretical mechanism that connects democracy and state capacity, two important works on the relationship are briefly reviewed<sup>2</sup>. A critical examination of these will serve as a useful backdrop against which I formulate the theoretical arguments of this paper.

### **2.1 Existing literature**

In one existing study, Bäck and Hadenius (2008) argue that a curve linear relationship exists between regime type and the state's administrative capacity. Administrative capacity is likely to drop when stable autocracies transition to partial democracies but then it rises again in more

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<sup>2</sup> Emphasis has been put on research investigating the relationship statistically across time and space. I use more qualitative work that focuses on a smaller set of cases to build up the theoretical argument in the following sections.

consolidated democracies, giving rise to the J-shaped relationship. This pattern is explained by two mechanisms affecting administrative capacity. The first mechanism concerns bottom-up control through political competition combined with an active civil society. The second mechanism is premised on top-down control through well-institutionalized administrations. Consolidated democracies are characterized by both mechanisms and are thus most likely to have the highest level of administrative capacity. Meanwhile, consolidated autocracies are only characterized by the top-down mechanism, and therefore only tend to have medium-high levels of state capacity. This medium-high level of administrative capacity in consolidated autocracies can typically be obtained if natural resources such as oil can be used by the ruler to solidify the regime. Finally, partially democratized countries are most likely to have the lowest levels of administrative capacity as they do not contain any of the mechanisms. In sum, this explains a J-shaped relationship between regime type and state capacity.

However, the theoretical logic is somewhat flawed. As Andersen et al (2014: 1318) note, only their bottom-up mechanism – political competition and a vibrant civil society – is grounded on regime properties. The top down mechanism is based on “well-institutionalized organs for steering- and control from above” in democracies and a “fairly well-functioning bureaucratic system” in autocracies. The top-down mechanism thus builds on characteristics pertaining to the state, not the regime, and hence their argument for administrative capacity in autocracies appears circular. For this reason, Bäck and Hadenius have to include natural resources in order to explain the medium-high administrative capacity in autocracies (ibid: 1319). If one consistently separates regime and state as distinct concepts – hereby enabling a causal investigation of their relationship – Bäck and Hadenius’ theory becomes problematic.

In a more recent article, Carbone and Memoli (2015) find that the level as well as the duration of democracy has a positive impact on “state consolidation”. Based directly on Bäck and Hadenius they expect a J-shaped relationship. Carbone and Memoli’s theoretical arguments are exclusively based on regime type, and as such, they do not encounter the same problems as Bäck and Hadenius. However, Carbone and Memoli (2015: 11) barely develop an argument for why they expect the curve linear J-shape that Bäck and Hadenius present.

Based on these observations, I challenge Bäck and Hadenius (and to a lesser extent Carbone and Memoli’s) argument for a J-shaped relationship. If regime and state are conceptually distinguished in a consistent manner – thereby avoiding the problem of circularity as previously discussed – there are no convincing theoretical arguments to support the claim that partial democracies are more likely to have lower administrative capacity than autocracies. Rather, I expect a linear relationship between democracy and the state’s administrative capacity.

Moreover, and as I will elaborate in the following paragraphs, it appears plausible that it is extent of the experience with (or the “stock” of) democracy that has a decisive impact on the state’s administrative capacity.

## **2.2 State capacity and democracy**

Before examining how democracy may affect state capacity, I will briefly clarify the employed notions of democracy and state capacity. State capacity can be defined as “capacities to penetrate society, regulate social relations, extract resources, and appropriate or use resources in determined ways” (Migdal, 1988: 4). State capacity encompasses two distinct aspects: a monopoly on violence and administrative capacity. In this article, I focus on the state’s administrative capacity (or effectiveness) defined as “the capacity of the bureaucracy to construct and implement policies regarding public services and regulations throughout the territory” (Andersen et al, 2014: 1307)<sup>3</sup>.

Given the risk of conflating democracy and administrative capacity – as might be the case if more expansive democracy definitions are employed – it is pivotal to clearly distinguish the terms by using a minimalist notion of democracy (see Mazucca, 2010). To study the regime-state nexus, I thus employ a procedural and minimalist notion of democracy, where democracy is defined as “[...] as a regime in which the key government offices are filled through contested elections (Andersen, Møller and Skaaning, 2014: 1204).

## **2.3 Theoretical mechanisms**

### **a) Electoral competition**

The most important argument for democracy’s positive impact on administrative capacity is anchored in the electoral competition that characterizes democracy by definition. In short, given that a majority of the electorate assumingly has a preference for an effective state administration, a government seeking reelection has a clear incentive to improve the state’s administrative capacity if it seeks to avoid electoral defeat. For instance, Carothers (2007: 20) argues that the establishment of accountability through elections and the continuous alternative to the current rulers may provide incentives for good administrative performance. In a related work focusing on Central- and Eastern Europe after the collapse of the Soviet Union,

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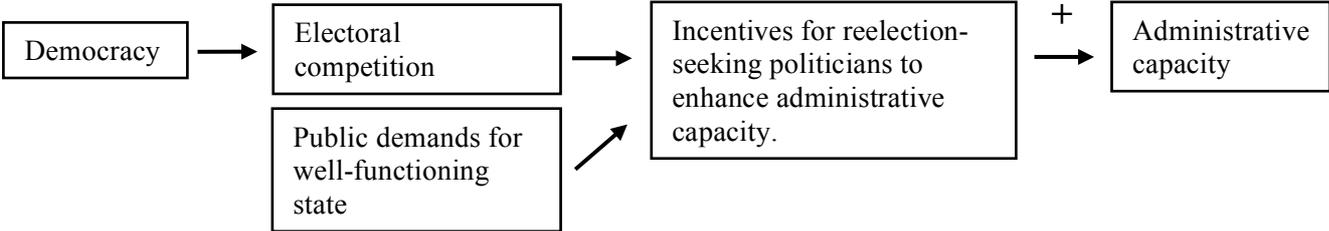
<sup>3</sup> The focus on this aspect of state capacity is based on the observation that lack of proper administrative capacities is one of the greatest challenges for many developing countries (see e.g. Todaro and Smith, 2015: 815). Moreover, low administrative capacity can also be observed in relatively more developed nations (e.g. in parts of Eastern Europe).

Gryzmala-Busse argues that “robust” political competition from the opposition promotes the building of administrative capacity. The electoral competition and pressure from the opposition holds the government in check and gives it clearer interest in the establishment of well-functioning state institutions (Grzymala-Busse, 2007: 1).

Conversely, autocrats are typically not inclined to build a strong bureaucracy (Carothers, 2007). They habitually exploit the state as a source of personal income, as a means to give preferential treatment to certain groups, and as a repressive apparatus (ibid: 18). An impartial, effective and autonomous administration is less malleable for these purposes (ibid: 19). According to Carothers, even though there are autocrats that have succeeded in building effective states (e.g. Lee Kuan Yew in Singapore), there is no reason to believe that autocrats generally have a clear incentive to build effective state institutions beyond a basic monopoly of violence. In the same vein, Gerring, Thacker and Alfaro (2012: 2) argue that autocrats are usually only accountable to a limited amount of supporters, e.g. the military, the ruling party, and the economic elite. These elites probably do not share the interests of the common citizen about the lack of an effective state, as this most likely does not constrain the elites in a significant way.

In sum, the absence of electoral competition and the lack of incentives for autocrats to build effective state institutions give rise to the expectation that autocracies will typically display a lower level of administrative capacity. Conversely, electoral competition for power and accountability may incentivize reelection-seeking politicians in democracies to build effective state institutions.

**Figure 1: The electoral mechanism**



**b) Information and monitoring**

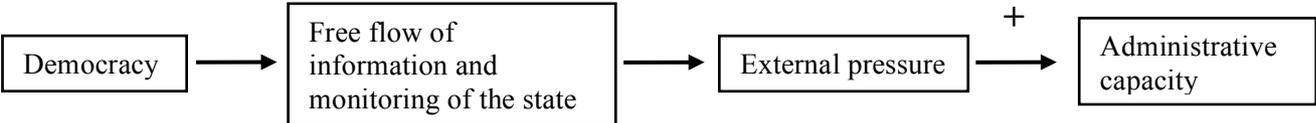
Closely related to the electoral mechanism, we can identify monitoring, a free flow of information and the possibility to voice critique as important channels through which democratic governments can be pressurized. Amartya Sen (2003: 444) remarks that no democracy with a relatively free press has ever experienced a major famine. A governments’

willingness to counter famines is contingent upon the pressure that is exerted upon it. As previously discussed, democratic governments can be held accountable through the ballot. But the possibility to exert pressure is also due to the fact that democratic societies are characterized by a freer flow of information (e.g. the absence of censorship) including the opportunity for protest and critique by the opposition and independent media (ibid.: 445).

Analogous to this, parliaments, parties, the media, and civil society have the potential to pressurize the government in to improving state capacity. For instance, the government might see itself forced to alter the status quo when an independent press uncovers ineffective procedures and bad administration (Carbone and Memoli, 2015: 10; Carothers, 2007: 20). This logic is also visible in Bäck and Hadenius’ bottom-up mechanism as discussed earlier in this paper. In this regard, they argue that the public has a chance to monitor the functioning of the state under democratic regimes, which might ultimately lead to improved administrative capacity (Bäck og Hadenius, 2008: 16).

In sum, societies that are more democratic are characterized by a freer flow of information as well as possibilities to oversee and criticize those in power. In this way, parliaments, parties, the media, and civil society are able to exert persistent pressure on the government in order to improve the administrative capacity in democracies.

**Figure 2: The information and monitoring mechanism.**



**c) Democratic inclusion and legitimacy**

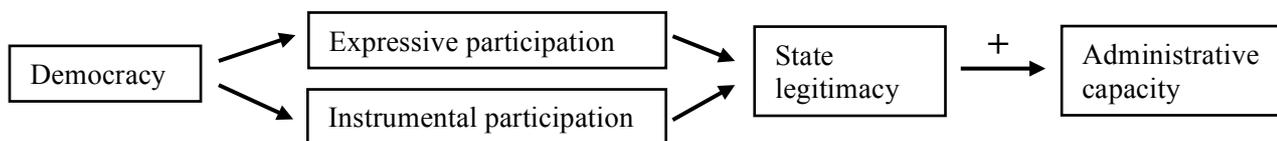
The expansion of the right to vote and introduction of other freedoms, such as freedom of expression or association, entails that all citizens formally become part of the political system (Carbone and Memoli, 2015: 9). According to Carbone and Memoli, this political inclusion brings additional legitimacy to the state through “expressive” and “instrumental” participation that jointly enhance the state’s administrative functions (ibid.). The expressive side of participation implies the opportunity for individuals and groups to voice their interests and opinions – through elections, parties, trade unions, civic organizations, and social movement – and allows them to perceive that they have a stake in the current system. This perception of being politically included makes it easier to identify with the state and accept its authority (ibid.).

Moreover, as power frequently alternates, the share of citizens that at one point identify themselves with the current rulers increases, which similarly fosters increased state legitimacy (ibid.: 10).

Instrumental participation implies that interests are articulated by citizens and organizations are taken into account by those in power as they are ultimately accountable to the voters. Social needs and other interests are increasingly included in the decision-making process whereby the elected government makes decisions that are more in line with public interests and preferences (ibid: 9) . Thus, it is not only the feeling of having a stake in the current system but also the democratic mode of arriving at decisions that increase state legitimacy, which in turn creates compliance.

In sum, expressive and instrumental participation give rise to increased state legitimacy, acceptance of state authority, and compliance. This implies less individual, local, or communal resistance to state involvement and consequently prompts increased administrative capacity as the implementation of policies is facilitated (ibid.: 9f).

**Figure 3: The democratic inclusion and legitimacy mechanism**



## 2.4 Hypotheses

Based on the discussion above, I expect that more democratic countries develop higher administrative capacity than authoritarian countries do. However, this might be understood in two different ways. First, I expect higher *levels* of democracy in a given year to have a positive impact on administrative capacity, leading to the following hypothesis:

*Hypothesis 1: More democratic countries develop stronger administrative capacity.*

Second, democracy's positive consequences can plausibly be conceived to arrive only after substantial experience with democracy. An extended focus on the experience with democracy is premised on the logic that it takes time for democratic processes to take root and have a substantial effect (Carbone, 2009: 127; Gerring et al, 2005: 324ff). For instance, it probably takes

decades for a critical civil society and similar institutions to emerge (e.g. Thacker, 2009: 28). In short, if democracy survives its often “tumultuous youth”, the administrative state apparatus should demonstrate improvements, even if no immediate improvement were discernible in the initial transition from authoritarianism (see Gerring et al, 2005 for a similar discussion). In sum, the extent of experience with democracy (or the “democratic stock”) includes democracy’s long-term effects and thus challenges a one-sided focus on democracy as a level concept. This expectation is expressed in the following hypothesis:

*Hypothesis 2: The accumulated experience with democracy increases administrative capacity.*

### **3. Research design**

The hypotheses are subjected to empirical assessment using global time-series cross-section data with 122 countries spanning from 1984-2012, which generates a little over 3000 observations. In terms of the historical period, the data thus covers most of the third wave of democratization that spanned from the mid-1970s to at least the mid-1990s (Møller and Skaaning, 2013: 67ff). This is theoretically convenient for my purposes as this period saw many countries in regions outside the Western hemisphere democratize (Latin America, Africa, Eastern Europe, East Asia). Hence, it also becomes possible to study the consequences of democratization outside the regions with longstanding ‘liberal’ democracies in Western Europe, North America etc. that typically already had relatively well-functioning states in place before they democratized. Finally, even though the sample covers a good amount of countries, there is a bias towards larger countries at the cost of smaller countries e.g. island states. Hence, any generalization of the findings to a global level is not straightforward.

#### **3.1 Operationalization**

The first independent variable, level of democracy, is measured using the Varieties of Democracy index of electoral democracy (Varieties of Democracy, 2016). The index – ranging from 0-1 – embodies whether electoral competition exists, whether elections are free and fair, and to what extent political and civic organizations can operate unrestrained (Lindberg et al, 2014: 160f). The index has a high concept measurement consistency as it completely corresponds to the theoretical, minimalist notion of democracy. This indicator is superior for my purposes compared to other available indices: Freedom House includes elements such as “functioning of government” thus posing serious problems of endogeneity, while Polity IV

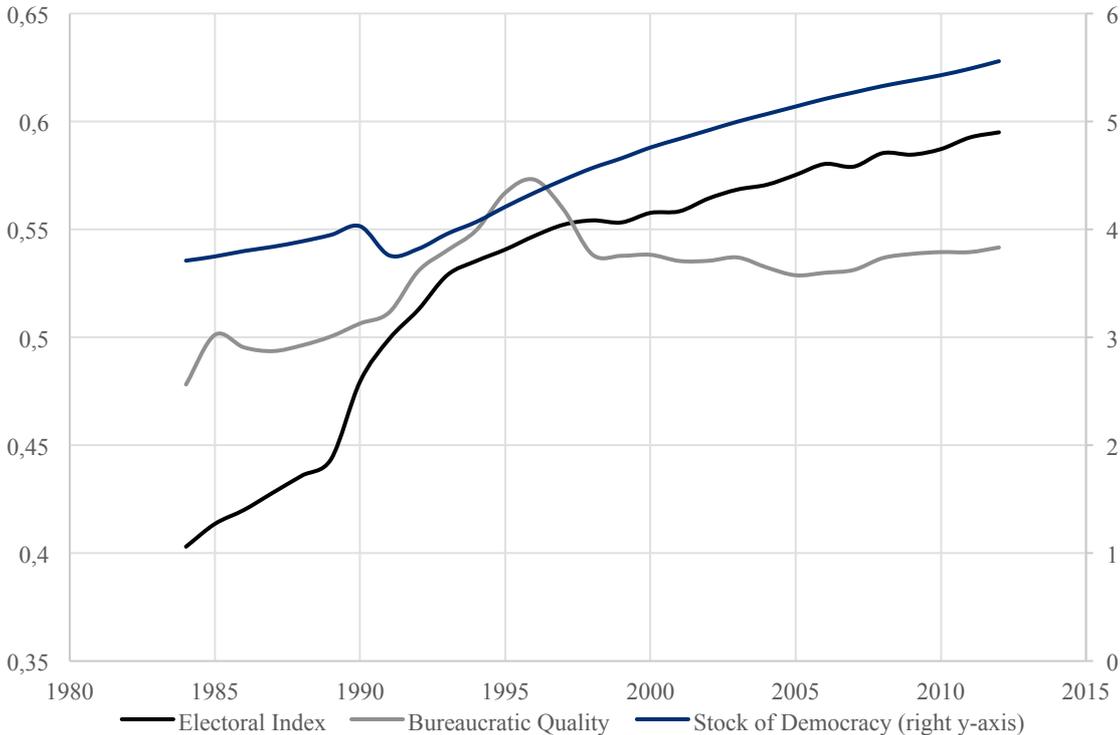
constitutes an overly minimalist measure as it does not capture important elements concerning civil society and media (Gurr, Jagers og Marshall, 2014: 19; Freedom House, 2015). It is the first time that the V-Dem data are used to explore the relationship between democracy and state capacity. Due to the arguably superior quality of V-Dem compared to existing democracy indicators, this step should serve as an empirical improvement vis-à-vis the existing studies.

In order to gauge the extent of experience with democracy I use a stock of democracy measure that captures a country's regime history. It sums each country's V-Dem electoral index score from 1900 to present day and applies a 10% annual depreciation rate. Consequently, a country's regime stock covers the course of the twentieth century but recent years receive more weight than more distant years. This follows an expectation that the causal effect of democracy depreciates over time.

This operationalization is arguably more adequate than Carbone and Memoli's (2015) who only count continuous years of democracy since 1900. This is due to the fact that the employed stock measure not only gauges years of continuous democracy, but also *how* democratic a country has been along with the plausible assumption of a depreciating causal impact of democracy.

To measure the state's administrative capacity, I employ the Bureaucratic Quality indicator from the International Country Risk Guide. The indicator is based on expert evaluations and measures the bureaucracies' autonomy from political pressure and the extent to which well-established mechanism for recruitment and training exist (Political Risk Group, 2015). Although this indicator captures important elements of administrative capacity, it does not embody implementation capacity whereby its concept measurement consistency is not ideal. However, it is the only indicator that provides a reasonable coverage of the theoretically interesting time period. The variable is rescaled from 0-4 to range from 0-1. In order to provide an impression of the data, figure 1 depicts the evolution of the mean scores for the two democracy measures as well as the Bureaucratic Quality indicator. Where democracy shows a strong upward trend, this is less clear with regard to administrative capacity.

**Figure 1: Dataset mean scores of the Electoral index of Democracy, Stock of Democracy and Bureaucratic quality**



Finally, I introduce a number of standard control variables that can reasonably be expected to affect both democracy and administrative capacity. The level of a country’s economic development, which is presumed to exert a positive influence on both democracy and administrative capacity, is measured using the logged values of GDP per capita measured in constant 2005 US dollars (World Bank, 2016a). Natural resource abundance, generally expected to influence both democracy and administrative capacity negatively, is operationalized as the value of oil and gas production per capita in constant year 2000 US dollars (Ross, 2013)<sup>4</sup>. Trade openness has been suggested as a background variable positively influencing democracy as well as administrative capacity (Bäck and Hadenius 2008: 8). I therefore include a variable that measures the sum of export and import of goods and services as a share of GDP (World Bank, 2016b). The potential positive impact of Protestantism is captured through a variable measuring the share of protestants in the population scaled from 0-1 (Tusalem, 2009; World Religion Dataset, 2016). Differing colonial legacies are argued to have an important impact on democratization as well as state capacity. In particular, former British colonies have been said to fare comparatively better in this regard (see e.g. Bernhard, Norstrom, and Reenok, 2004). I thus account for colonial heritage through a dummy variable that indicates whether a country has

<sup>4</sup> In 1000 USD. Missing values for 2012 are replaced with the values from 2011. The results are robust to estimations without these replaced missing values.

been a British colony (*ibid.*)<sup>5</sup>. Country size, which is presumed to negatively influence the prospects of democratization as well as building of state administrative capacity, is captured through a variable with the logged land area in square kilometers (World Bank, 2016c). Finally, ethnic fragmentation has the potential to make democratization as well as building of administrative capacity more difficult, and is gauged using Alesina et al.'s (2003) measure<sup>6</sup>.

### 3.2 Model specification

Initially, I conduct the statistical analyses using a pooled time series model to estimate both the within- and between country effects of democracy. Subsequently, I run the regressions using also use a country fixed effects estimator. Employing fixed effects imposes a unique intercept for each country i.e. it only measures changes over time *within* each country – and not between countries (Beck og Katz, 2004: 5). Based on the theoretical mechanisms, I expect democracy to have a gradual impact on administrative capacity within each country. Therefore, the fixed effects specification serves as a better test of the theoretical understanding of causality than a specification measuring cross-national variation as well. In the latter scenario, cross-national variation might also very well dominate the theoretically interesting temporal variation within each country, as regime and state are relatively inert variables that only change marginally each year (Robinson, 2006: 519). Another advantage of using fixed effects is that they control for all time invariant country specific factors. A typical problem in cross-national studies, omitted variable bias, thus becomes less likely as all unobserved and time invariant factors are held constant (Gerring, Thacker og Alfaro, 2012: 7). In sum, country fixed effects constitute an important check on the validity of my theoretical proposition.

Endogeneity between state and regime is a highly relevant concern (Andersen, Møller and Skaaning, 2014: 1214). In order to reduce endogeneity problems, I lag the independent variables one year. This temporally separates the predictors from the dependent variable, mitigating the risk of reverse causation (Gerring, Thacker and Alfaro, 2012: 7). Without posing a guarantee against endogeneity, this should offer a satisfactory protection against it.

From a theoretical perspective, the third wave's large-scale democratizations were largely triggered by international factors – at least in Africa and Eastern Europe – during a relatively short amount of time, which presumably did not affect state capacity. If these democratizations had emerged endogenously it would have been more difficult to separate regime change from

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<sup>5</sup> In addition to Reenok et al.'s codings, which do not cover all countries in my data, I added Singapore as British colony.

<sup>6</sup> I use the natural logarithm of GDP and land area to account for skewed distributions.

changes in state capacity. Hence, the exogenous influence during the third wave's improves the prospects of isolating the consequences of democracy whereby the problems of endogeneity are somewhat mitigated.

Following Beck and Katz (e.g. 1995, 2004, 2011), who have investigated issues related to TSCS data in a series of articles, I use panel corrected standard errors. These should provide more accurate significance levels than OLS standard errors because they help correct the errors in TSCS models, which are often plagued by contemporaneous correlation and group wise heteroscedasticity (Beck og Katz, 1995: 640). To counter the problem of serial autocorrelation where the errors follow a first-order autoregressive processes, I include an AR(1) term (see Beck og Katz, 2011: 334f). This approach appears most appropriate, as there appears to be some trend in the data.

## 4. Results

To reiterate, I expected a positive causal effect of contemporary democracy (a level variable) as well as the extent of experience with democracy (a historical stock variable) on the state's administrative capacity, all other things being equal. Table 1 shows two types of regression analyses, where models 1-3 present the results from the pooled time-series cross-section (TSCS) and models 4-6 present the results from the country fixed effects analyses.

Starting with the pooled TSCS results, in model 1, we can observe a positive and statistically significant impact of the contemporary level of democracy on administrative capacity. The control variables GDP, share of protestant population and British colony exert a positive significant effect on administrative capacity as expected. Quite surprisingly, land area exerts a positive effect on administrative capacity, which is contrary to my expectations of a negative effect. The oil and gas value variable and ethnic fractionalization are – as expected – negatively and significantly associated with administrative capacity. The only variable that fails to reach statistical significance is trade openness. These directions and levels of significance of the control variables do not change in models 1-3. In model 2, democratic stock is introduced instead of the contemporary level variable. Democratic stock also appears to have a significant, positive impact on administrative capacity. Model 3 introduces democratic stock and level in the same estimation. Interestingly, the statistical significance of the stock variable is left unaffected, while the level variable shows a negative but now insignificant association with administrative capacity. These results remain unchanged when I lag the stock variable by two years instead of one in order to better disentangle their potential effects (the only change being that democracy level becomes positive yet remaining insignificant).

**Table 1: Administrative capacity and democracy**

	Administrative Capacity Pooled TSCS			Administrative Capacity Fixed Effects		
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Democracy level</b>	.0413** (.0205)	-	-.0043 (.0238)	.0148 (.0207)	-	-.0011 (.0227)
<b>Democracy stock</b>	-	.0195*** (.0038)	.0200*** (.0044)	-	.0092** (.0046)	.0093* (.0051)
GDP/capita (ln)	.1094*** (.0061)	.0946*** (.0067)	.0946*** (.0066)	.0550*** (.0158)	.0469*** (.0165)	.0469*** (.0165)
Oil and gas	-.0024** (.0001)	-.0017** (.0007)	-.0017** (.0007)	-.0006 (.0006)	-.0006 (.0006)	-.0006 (.0006)
Trade openness	-.0001 (.0001)	-.0001 (.0001)	-.0001 (.0001)	-.0000 (.0001)	-.0000 (.0001)	-.000 (.0001)
Protestant population (%)	.2253*** (.0256)	.1861*** (.0286)	.1857*** (.0285)	.2763*** (.0832)	.2185*** (.0824)	.2188*** (.0824)
Area (ln)	.0128** (.0060)	.0133** (.0062)	.0132** (.0062)	-	-	-
Ethnic fractionalization	-.1406*** (.0397)	-.1292*** (.0420)	-.1290*** (.0419)	-	-	-
British colony	.0896*** (.0204)	.0838*** (.0219)	.0837*** (.0219)	-	-	-
Observations	3078	3078	3078	3078	3078	3078
Countries	122	122	122	122	122	122
R <sup>2</sup>	0.367	0.365	0.3661	0.587	0.588	0.588

Note: Estimates are unstandardized coefficients with panel corrected standard errors in parentheses (xtpcse in Stata). All regressions performed with an AR1 correction for serial autocorrelation (, corr(ar1) in Stata). Independent variables lagged one year. \*10%, \*\*5%, \*\*\*1%.

“Pairwise” option used to include all observations with non-missing pairs due to an unbalanced panel. Estimating model 6 in each region separately without the pairwise option – which is possible for all except the Sub-Saharan Africa – almost exclusively yields very similar or lower P-values for the stock variable, giving confidence that this option at worst provides ‘conservative’ bias in terms of support for the hypotheses.

In sum, the results from the pooled models incline me to conclude that the historical democratic stock and not the contemporary regime status explains within and between country variations in administrative capacity, other things being equal. This lends preliminary support to hypothesis 2, which expected the extent of experience with democracy to have a causal impact on administrative capacity. Meanwhile, hypothesis 1, expecting the contemporary regime status to affect administrative capacity, can only be weakly backed empirically.

Looking at the country fixed effects estimations<sup>7</sup> and inspecting model 4, we can see that the current regime status variable is positively, albeit insignificantly associated with administrative capacity. The control variables perform largely as expected with GDP and share of Protestant population exerting a positive and significant impact and, oil and gas having a negative (although insignificant) impact. Again, however, trade openness seems a poor predictor not reaching statistical significance. The pattern of the control variables remains stable throughout the fixed effects models (4-6). Model 5 introduces the stock variable, which is positively and significantly associated with administrative capacity. Model 6 contains the arguably most important test because it includes the level and stock variables together in the same country fixed effects estimate. This model reproduces the results from the equivalent pooled model (model 3); the stock variable remains largely unaffected while the level variable becomes negative and insignificant.

In sum, the stock variable is robust in each of the four specifications at the 0.1 level or significance or better. Meanwhile, the level variable was only significant when estimated independently of stock without fixed effects. This leads me to conclude, that the historical experience with democracy, not the contemporary regime status, causes improved state administrative capacity.

Finally, it should be noted that the association between democratic stock and administrative capacity is also substantively interesting. Consider the following example based on the coefficients in model 6 (0.0093). For a country with no accumulated democratic stock, 10 years of full democracy translates into an 8-percentage point increase in administrative capacity<sup>8</sup>. Alternatively, in a hypothetical situation where Belarus would have had the same democratic experience as Denmark, the model projects an approximate 25% increase in administrative capacity relative to its actual level<sup>9</sup>. Given that many countries democratized sometime during the last 40 years and remained democratic, the results suggests that regime type does indeed have a substantial positive impact on state administrative capacity.

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<sup>7</sup> Note, that due to their time invariant properties, colonial heritage (British colony), land area and ethnic fractionalization are only included in the pooled models.

<sup>8</sup>  $=0.0093*8.78$  [8.78 and not 10 due to depreciation of 10%]

<sup>9</sup> Administrative capacity of Belarus in 2012: 0.25. Diff. in democratic stock of DK and BY,  $6.33*0.0093=0.06$

Given the rather rough proxy of administrative capacity, the results presents above should be interpreted with some caution. In order to make a more robust inference about democracy's effect on administrative capacity, I would need an indicator that also measures the implementation ability of the administration more directly (see Andersen et al., 2014: 1316f for a similar discussion). In addition, even though certain measures were employed, endogeneity remains a concern that the research design could completely rule out.

## 5. Discussion

Contrary to recent work, this paper finds that there is no strong or robust relationship between a country's current regime status and the state's administrative capacity. Rather, the regime's history determines whether and to what extent state capacity may be increased. There are reasonable theoretical grounds to expect the relationship to materialize over the long term. The observed historical impact appears plausible because long-term democracies – relative to new democracies or authoritarian regimes – have cumulatively experienced far more institutionalized political competition leading to greater accountability, stronger media and a civil society able to monitor the state, as well as higher levels of state legitimacy leading to more compliance, which facilitates state penetration of society. According to this logic, the first few years after a transition to democracy should have no substantive impact, whereas many years with institutionalized political competition, independent media etc. should have a decisive effect. Interestingly, these findings are in line with similar studies on the consequences of democratization, which also argue that democracy's positive impacts – e.g. on economic growth and human development – are expected to be long-term (Gerring et al., 2005; 2012)<sup>10</sup>.

The findings suggest that the democratizations of the third wave, which has taken place during the period examined in this article, may well be an important factor in achieving higher levels of state administrative capacity. The implications of the argument introduce grounds for careful optimism with respect to the ability for especially developing countries to improve their state's administrative capacity. This is an interesting input to the state-building debate. Outside Western Europe, the settler colonies and a couple of East Asian countries, it has been tremendously difficult to build effective state institutions due to historical and colonial legacies that often entail a strong path dependency (see Møller 2015). In this respect, democracy may work as a partial solution to the problems of low state capacity in many regions of the world. However, this process of state strengthening is likely to take many years,

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<sup>10</sup> I have not attempted to test the relative importance of each proposed causal mechanism, which was outside the scope of this paper. Indeed, this would be rather challenging conceptually and empirically, as the mechanism are overlapping and difficult to operationalize.

and as such, countries cannot expect large immediate effects on administrative capacity to result from democratic transitions. In other words, democratic institutions require time and patience before we should expect them to genuinely strengthen the administrative capacity.

## 6. Conclusion

In this paper, I examined the possibility that democracy itself may strengthen the state's administrative capacity. I attempted to challenge the existing theoretical understanding of the relationship as J-shaped, as the logic behind it appears circular with regard to state capacity in autocratic countries. Moreover, an ambition was to refine the quantitative investigation of the relationship by using a larger dataset with the new V-Dem data, which is arguably better suited for the empirical assessment of the question concerned. The results from the empirical evaluation suggested that the contemporary level of democracy has no robust impact whereas the extent of experience with democracy appears to have a positive and substantively interesting effect. The conclusion was that democracy does advance state administrative capacity, but only when considered as a cumulative, historical phenomenon.

As especially endogeneity is a pertinent issue in any investigation of the democracy-state nexus, an obvious task for future research would be to conduct a more qualitative analysis of the relationship between democracy and state capacity. Case studies – such as those conducted by Gryzmala-Busse (2007) on Eastern Europe – would be better able to account for recursive causality and investigate how the posited mechanism may (or may not) work. Consequently, they could potentially constitute a very strong supplement to any quantitative investigations such as this one, given the nature of the question concerned.

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