

# **Elections and Reform in Failing States**

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## 1. Introduction

In one of the most celebrated reform episodes in Africa, following the Nigerian elections of 2003 a group of technocrats were appointed to senior positions within the government. Upon appointment one of them was told by the president that the window for reform was not the four further years of the presidential term. It was, in fact, going to be a mere three years. The president's explanation was that 'the last year will be politics'<sup>1</sup>. In one sense it was the transformation from the autocracy of the Abacha years to the democratic governance of Obasanjo that had empowered the Nigerian technocrats. But as this remark indicates, elections could also be seen as impediments to reform. This paper investigates which of these effects tends to be predominant in the 'failing state' conditions typified by Nigeria at the start of its reforms.

There is a large literature on the relationship between democracy and economic performance the general conclusion from which is that any such relationship is weak (Drazen, 2000; Feng, 2006; Przeworski et al. 2000). However, these studies do not focus specifically on the conditions prevalent in 'failing states'; that is in the minority of low-income countries with policies and governance that are so dysfunctional as to provide little realistic prospect of the attainment even of middle-income levels unless they are able to implement reform. There are two distinct reasons why it is desirable to focus analysis on this range of countries. First, behaviour within this range may well be distinctive and yet this is liable to go unnoticed in studies based on an undifferentiated global sample. Second, over the coming decades these states will become the core of global poverty problem. Hence, the promotion of reform in these countries is the development challenge of the present.

The promotion of reform by means of outside interventions neatly falls into two phases partitioned by the end of the Cold War. During the Cold War the predominant form of intervention to support reform was donor conditionality. While leftist critiques of the *content* of conditionality abounded almost from its inception, critiques of its *efficacy* built up through the 1990s. One critique was that aid conditions were subject to a severe problem of time-inconsistency and so were liable to be gamed by recipient governments. A further critique was that conditionality weakened the responsibility of recipient governments for economic outcomes and hence confused their degree of accountability to their own citizens. A third critique was that conditionality induced 'reactance', whereby governments attempted to re-establish their authority by doing the opposite of the demands being placed upon them.<sup>2</sup> As the weaknesses of conditionality became more apparent, donors shifted their mode of engagement to principles of country ownership and partnership.

While this shift may well have occurred anyway during the 1990s, it was greatly eased by the spread of democracy across Africa as a response to the fall of the Soviet Union. Although Africa remains far less democratic than other regions bar the Middle-East,

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<sup>1</sup> Personal communication to one of the authors.

<sup>2</sup> A recent example of 'reactance' is the election on African votes of Zimbabwe as chair of the UN committee on sustainable development.

during the 1990s semi-democracy became the most common form of government. Democratization undermined the *legitimacy* of conditionality: whereas donors could sometimes reasonably claim to be acting in the best-interests of citizens when opposing the policies of autocrats, such a claim appeared to have little basis if a government had just received a democratic mandate. More radically, it appeared to undermine the *need* for conditionality: since governments were now accountable to their citizens policies and governance would improve automatically.

Although there were always sceptics concerning the economic efficacy of democracy, this, we think, is how we and perhaps most development economists viewed these issues around a decade ago. Implicitly, we believed that even if there was little overall effect of democracy on development, within the range of autocratic ethnically divided states that had emerged in Africa since the 1970s, democracy would surely be an improvement. Prospects for reform were good because the spread of democracy would produce governments with the *legitimacy* to reform, and at the same time *discipline* governments into delivering policies that were conducive to broad-based prosperity. The evident difficulties of democracy in some failing states has, however, introduced doubts. The distinctive characteristics of failing states may undermine the functioning of democracy just as they appear to make it most necessary.

Failing states are subject to powerful influences upon their economic and social performance over-and-above those effects that come from policies and governance. Inference of government choices from economic and social outcomes thus has to content with a great deal of statistical noise. Therefore, in this paper we use a direct measure of policies and governance. We investigate whether, in low-income countries with initially very poor policies and governance, elections help or hinder reform. In Section 2 we sketch a more general theory of how elections might effect the pace of reform in failing states than those outlined above. In Section 3 we define what we mean by a failing state and by reform and discuss our data sources. In Section 4 we turn to our empirical analysis. Section 5 relates our results to some other recent literature and concludes.

## **2. Theories of Elections and Reform in Failing States**

Suppose that for some reason such as the coordinating effect of the fall of the Soviet Union, donors are able to insist that an incumbent politician submit himself to a contestable election. How might this affect economic policy and governance? We sketch two theories of how this might affect policy and governance.

### ***The 'Accountability and Legitimacy' Model***

The basis for the hopeful response to African democratization during the 1990s was that elections have two benign consequences: an accountability effect and a legitimacy effect. Note that this hopeful account, which we will take to be the orthodoxy, is not necessarily inconsistent with larger concerns about democracy such as that high levels of citizen power may weaken property rights. Manifestly, it could not be argued that prior to

democratization African societies had political regimes in which property rights were stable.

The accountability effect is not difficult to set within a theoretical framework. Several models show how broadening the franchise from an elite 'selectorate' to universal suffrage can lead to policy improvement. One that is particularly pertinent to African conditions is Adam and O'Connell (1999). Essentially, if the government is able to retain power with only a narrow support base then its most efficient strategy for rewarding its support base is likely to be to redistribute resources from the rest of the society. Policies of redistribution are likely to be costly to the overall economy, but although this inflicts some damage on the support base it can be more than offset by the redistribution. As the support base is widened, there comes a point at which redistribution strategies are no longer the best means to reward it: the most efficient strategy becomes to deliver the national public goods that benefit everyone. In previous work Collier (2000, 2001) has argued that ethnic diversity, which characterizes most failing states, reinforces the superiority of democracy because autocracies in such societies almost inevitably rest on a particular ethnic group rather than being nationalist.

Acemoglu and Robinson (2000) extend the accountability effect of elections by endogenizing the extension of the franchise. If government policies are sufficiently sub-optimal when viewed from the perspective of national public goods it becomes rational for the disenfranchised to bear the costs of 'revolution'. To head this off the government must pre-commit to policy improvement by extending the franchise. From the perspective of a government faced with the prospect of revolution, the ability to pre-commit to an extension of the franchise would constitute technical progress in political institutions. If the option did not exist the society would face the costs of revolution. In effect, the ruling elite turns to the extension of the franchise with relief as the alternative to far worse.

The legitimacy effect is less straightforward to model as the result of rational choice. One approach is to emphasize that an election confers only time-bound power. Interests that lose have the hope that within four or five years they will have another chance to attain power and so have less of an incentive to adopt high-cost strategies of disruption than if the term in power were unlimited. Consistent with this, term limits reduce the incidence of coups d'*etats* (Collier and Hoeffler, 2007). However, the legitimacy effect conferred by an election may be more fundamental: an elected government has a *mandate* for its policies. Opponents of the regime may face increased costs of mobilization because they have a less credible case in terms of social justice. As a result, the opposition to the government is less able to block policy change.

Through the accountability and legitimacy effects the AL model predicts that the introduction of contested elections would improve policies and governance: the government needs to deliver public goods and its ability to face down opponents is enhanced. However, it also suggests that elections will be endogenous. An implication for an empirical agenda is that elections must be instrumented.

### ***The Technical Regress in Power Retention Model***

We now sketch an alternative theory with the opposite implications. From the perspective of the incumbent politician the requirement to hold elections can be seen as *technical regress in the retention of power*. To retain power the politician needs to be declared the winner of an election. The AL model assumes that faced with this threat, the only way for the politician to retain power is to improve the supply of the national public goods, summarized in the concept of ‘policies and governance’. My argument is going to be that in the particular social context of present-day Africa the optimal solution to the incumbent’s problem is unlikely to be the improvement of policies and governance.

Besley (2006) rigorously analyzes one dimension of the problem: voters may lack the information to be able to distinguish between good politicians and bad politicians. One reason might be that economic outcomes may be dependent upon many influences outside the control of the politician so that it is simply not worth sacrificing the rents that come from bad policies for the small increase in the chances of retaining incumbency. Another reason may be that most votes are pre-committed by virtue of identity: the incumbent can count on the support of his own ethnic group regardless of outcomes, so that the proportion of the voter base swayed by economic performance is limited. Both of these provide convincing circumstances in which the power of electoral competition is curtailed.

However, the electoral arena of Besley remains in many ways more akin to the sedate social circumstances of developed countries than those of a failing state. The incumbent is highly restricted in the domain of strategies relative to what can routinely be observed in these circumstances. Failing states lack the checks and balances that limit electoral competition to strategies that are routinely analyzed in developed country political economy. Or even where they happen to have such checks and balances at the time when electoral competition is introduced, the introduction so increases the cost to the incumbent of permitting checks and balances to be retained that they are liable to be dismantled unless there are some super-checks which curtail such an approach (Macmillan, 2004). As a result, the introduction of electoral competition has effects that are quite different from those predicted by an analysis based on its effects in developed countries.

Unconstrained by rules, incumbents routinely try to win elections by lying to voters, miscounting votes, bribing voters, and intimidating them (Vicente, 2007). Of these, the first has been extensively and rigorously analyzed in one particular context, namely the scope for governments to mislead the electorate on the state of the economy by means of printing money. This opportunity for lying induces an electoral business cycle and has been curtailed in developed countries by means of independent central banks and in failing states by IMF programs. Now consider the other strategies.

If politicians have the power to miscount votes, bribe voters, and intimidate them, each strategy must be evaluated for its electoral efficacy relative to that of providing good economic governance. For the reasons analyzed by Besley, good governance may not be

a particularly potent influence on voters. In the typical failing state the economy is indeed subject to many influences outside the control of government, citizens are badly informed about government performance, and many votes are predetermined by identity. Hence, one or other of the former strategies may dominate. The Nigerian election of 2007 clearly displayed all three features to a massive extent.

Further, a central part of Besley's analysis is to determine the supply of politicians of different types: public spirited, or self-serving. His key point is that the proportions of these types offered to the electorate are endogenous to the extent to which good governance is a vote-winner. Once we introduce these new strategies the analysis is also extended. Not only do public-spirited politicians not adopt dysfunctional policies and governance once in office, but *they avoid dishonest strategies of gaining office*. Bribery, intimidation and vote miscounting are inconsistent with their preferences. Thus, the weaker are the rules of electoral conduct, the more technologically disadvantaged are honest politicians. This becomes a further reason why they do not offer themselves for election: not only will the electorate find it difficult to assess performance once in office, the contest for office is stacked against them. For example, even in rural India, which is a rule-based electoral environment relative to what prevails in failing states, an astonishingly high proportion of candidates turn out to have criminal records. Not only are dishonest politicians *willing* to resort to socially dysfunctional electoral strategies, they are likely to lack the competence to adopt the strategy of delivering national public goods. Their skills and their social networks tilt their rational choice towards dishonesty.

To an extent, the resort to dishonest electoral strategies may ease the voter problem emphasized by Besley: the inability of voters to distinguish between honest and dishonest politicians. The type of politician may be revealed to voters by the adoption of electoral strategy. Why then should voters support a candidate who is self-serving in preference to one who is public-spirited? In the case of bribery because the private benefit to the targeted voter exceeds the cost, nearly all of which is borne by other voters who, if not targeted, may not be able to observe the bribery and so cannot infer the candidate type. The remarkable experimental evidence on the relative efficacy of different styles of political campaign gathered in Benin by Wantchekon (forthcoming) illustrates the conditions we have in mind. In the case of intimidation the explanation is the same, except that now the incentive to support is the avoidance of a negative outcome. In the case of vote miscounting, the deed is not observed until after the election is over. Further, vote miscounting may reinforce the effectiveness of bribery and intimidation. If a protest vote is not even going to get counted, there is less reason for sacrificing the opportunity of a bribe, or risking being victimized.

Suppose then that in the typical failing state the rules against electoral misconduct are insufficiently effective to prevent dishonest incumbents from resorting to them to retain power. Now consider the consequences for the national public goods of good economic policy and governance?

Faced with technical regress in the retention of power, the politician will not only adopt the most cost-effective strategy, which is unlikely to be to improve policies, but critically,

in doing so is forced to adopt consequential strategies that are socially costly beyond their opportunity cost. The incumbent can be presumed to have been optimizing prior to being faced with technical regress. His interest has been to satisfy his support base through the socially least-costly redistribution policies available. His interest in minimizing the cost to the wider society is simply because his support base is a part of that society. Now the costs of the maintenance of power have increased. The resort to bribery is expensive and so requires that public revenues be embezzled. This in turn may require that existing checks and balances be dismantled. The resort to intimidation and miscounting will require an increase in powers of coercion and these in turn may require the curtailment of checks and balances. Thus, the incumbent may be driven to adopting policies that are more socially costly than those needed prior to the technical regression.

Collier and Hoeffler (2006) have investigated the effect electoral competition in one important failing state context, namely the resource curse. This is indeed the most celebrated situation in which governments fail to harness economic opportunities. Contrary to the consensus of recent empirical work is that there is no clear association between democracy and economic performance, we find that once resource rents are introduced into the analysis this is no longer the case. In resource-*scarce* countries democracy significantly improves economic performance. In resource-*rich* countries democracy has adverse effects, but these are better understood once democracy is decomposed into checks and balances, and electoral competition. It is electoral competition that is highly detrimental, whereas checks and balances are beneficial.

What accounts for the adverse effects of electoral competition in the context of resource abundance? We assume social conditions in which patronage politics trumps good governance in terms of electoral cost-effectiveness. However, patronage politics is infeasible if checks and balances are sufficiently strong to prevent public revenues from being diverted into patronage. Thus, politicians will use public revenues for patronage unless restrained. In such a context resource rents matter because they reduce the need for taxation. If taxation provokes citizens into the public good of supplying checks and balances then a rational politician will optimize electoral chances by setting taxes sufficiently low that resource revenues can be embezzled for patronage.

Consistent with this, while resource-rich societies need exceptionally strong checks and balances, checks and balances tend to get eroded over time by the resource-rents. Further, the ‘instant democracies’ that appeared during the 1990s were essentially elections in the context of unlimited government powers. As Iraq and Afghanistan demonstrate, elections are feasible in any circumstances, partly because the incentives for the contestation of power are so great, and partly because they are events rather than processes. Checks and balances are public goods and so undersupplied, and further they are processes that are only effective if sustained and so are intrinsically more difficult than elections.

#### *An implication for the legitimacy effect*

The direct implication of the TRPR model is that the posited accountability effect of the AL model does not occur. However, it also has implications for the legitimacy effect that

might be expected from elections. If politicians win elections through strategies of bribery, intimidation and vote mis-counting, the legitimacy-conferring aspect of an election is likely to be dissipated. The effect may, in any case, be much weaker in the context of a new democracy than an established one. Citizens may only come to accept the result of elections as granting legitimate power after a history of power alternation. Hence, elections neither increase pressure upon the government to deliver good policies and governance, nor do they confer the legitimacy that would make the enactment of a program of reform easier: in failing states elected governments are unlikely to enter office with citizen acceptance that they have won a mandate for reform. While the above considerations suggest that in the conditions of failing states any legitimacy effect may be weak, it could even be perverse: democratically elected governments may have less power to adopt policy change than autocratic governments.

Two recent empirical studies cast doubt on the potency of the legitimacy effect in failing states. Collier and Rohner (2007) investigate how democracy affects the risk of a wide variety of forms of organized violence at different levels of income. They show that at low levels of per capita income the predominant of democracy effect is 'technological regression in repression'. Democratic governments cannot resort to the apparatus of control typical of authoritarian regimes and this makes them more vulnerable to violent opposition. Collier, Hoeffler and Soderbom (forthcoming) focus specifically upon the risks of reversion to violence in post-conflict situations. These are precisely the situations in which it might be hoped that the legitimacy effect would be strongest as elections resolve conflicts peacefully. Historically, around 40% of post-conflict situations have reverted to conflict within a decade and so securing the post-conflict peace is an overarching priority for the international community. We find, unfortunately, that post-conflict elections *shift* the risk, sharply lowering it in the year of the election, and even more sharply increasing it in the year after the election, the net effect being adverse. The international community has been sufficiently confident of its theory of legitimacy-secured peace to use elections as the 'milestone' for the withdrawal of peacekeeping forces. For example, in DRC the intention was to withdraw troops the day after the elections of October 29<sup>th</sup>, 2006 (an event too recent to be included in our sample). In the event, consistent with our analysis, troops had to be flown in to curtail a severe upsurge in violence and the opposition leader is now in exile. The reason for the problematic consequence of elections in post-conflict situations is evident. Whereas within the mental frame of the donors elections establish legitimacy, in the very different context of the typical post-conflict situation the election is seen merely as one further dimension of the contest. The defeated explain the result as reflecting the greater scope for cheating on the part of those who won, whereas the victorious see it as a license for unbridled power.

Africa's extreme example of the TPRP model is President Mugabe of Zimbabwe. As elsewhere in Africa, President Mugabe was forced by donors to introduce elections in order to retain aid. The elections emboldened a domestic opposition which would clearly have eventually won power in free and fair elections. At the moment of the introduction of genuinely multiparty democracy Zimbabwe inherited considerable checks and balances. Hence, to retain power President Mugabe had to dismantle them in a particular sequence, notably first undermining the independence of the judiciary by forcing the

chief justice into retirement. Only once sufficient checks and balances could be dismantled could a fuller strategy of power retention through bribery, intimidation and miscounting be put in place. The strategy continues: in preparation for the 2008 elections the police force is to be doubled. At not stage presumably did the government actually want to destroy the economy. The destruction of the economy, and the policies that induced it, were the necessary and acceptable collateral damage of the objective of offsetting the technical regress in power retention imposed by electoral competition. While it is highly speculative, it seems likely that in the absence of electoral competition President Mugabe would have retained power through a strategy less costly to the economy.

The TRRP model is also consistent with new results on the effect of democracy on infant mortality in Africa (Kudamatsu, 2007). Kudamatsu finds that democracy is only effective in improving infant mortality if the incumbent government actually loses the election: the successor government improves performance.<sup>3</sup> Hence, elections are not functioning as a discipline on the performance of incumbents.

### **3. Defining Reform in Failing States**

Our universe is all low-income countries for the period 1977-2004. We define reforms in failing states as episodes of substantial improvement in policy and institutions. To meet such improvements, countries must start as failing states. By failing states, we mean poor countries with persistently dysfunctional economic policies and institutions. We define poor countries as countries that have been classified as low income at least one year on our period of analysis (World Development Reports, 1977-2004).

Dysfunctional economic policies and institutions are measured with the Country Policies and Institutional Assessment (CPIA) of the World Bank.<sup>4</sup> The CPIA assesses economic policies and structural reforms since 1977 in 136 developing countries. It has three main advantages regarding our analysis: (1) it is comparable over time and countries; (2) it rates countries on a 1-6 scale according to 20 components (see Appendix 1) and gives a broad idea of the quality of policies and institutions; (3) it assesses policy instruments chosen by the government rather than some outcome indicators – like growth – which are likely to be influenced by factors on which the government has no power (e.g. external shock).

To be a failing state according to our definition, a country must be a low-income country and have a CPIA less than 2.5 during at least four consecutive years. This four-year condition insures that the policy and institutional environment has been sufficiently bad for some time. We thus exclude countries which merely have a temporary crisis during which the CPIA falls sharply and then bounces back to its previous level. If a country has

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<sup>3</sup> The results are, however, based on some questionable classifications of incumbent electoral defeat, such as Ethiopia and South Africa.

<sup>4</sup> By decision of the Board of the World Bank, the CPIA became publicly available in 2006. Somewhat bizarrely, past data are not yet available. This research was conducted in collaboration with the Fragile States Unit of the World Bank, and as a result data were released to the researchers.

a low CPIA for less than four years, then it cannot reasonably be introduced into a category of persistently dysfunctional policy and institutional environment.

The episodes of reform in which we are most interested are those which imply that a country exits the failing state category. To get out of the category countries need to substantially improve their situation. By substantial reform we mean that the CPIA goes from less than 2.5 to at least 3.5. Such substantial reforms can be sustained or unsustainable: they are sustained if the CPIA remains above 3 for at least 2 years, otherwise they are unsustainable.

Either sustained or not, all substantial reforms start as incipient reforms. We measure incipient turnarounds as small increases in the CPIA (+0.5) which signal that a substantial reform might be starting. However, the large majority of these incipient reforms never mature into substantial reforms and just collapse after a few years of improvements.

#### **4. Empirical Results**

We investigate three different aspects of the relationship between elections in failing states and the reform of policies and governance. The first simply looks at whether elections create pressures for the CPIA to change. However, in most failing states the CPIA wobbles around, going through periods of improvement and deterioration. In other words, many efforts at reform have an initial period of success but are not carried through. Our second approach looks at all incipient turnarounds in failing states and investigates how the prospect of an impending election affects the chances that the turnaround will continue to the point at which 'sustained turnaround' is reached. In our final approach we focus on those critical episodes that indeed lead to 'sustained turnaround'. We ask whether democracy is helpful as an antecedent to the chances that the society will embark on a process that leads to sustained turnaround, and how a pending election affects the chances that such a process will be started.

In Table 1 we focus on pressures that lead to deterioration in the CPIA. What is the relationship between the time to the next election and the risk such deterioration? We compare failing states against all developing countries. The CPIA cannot be treated as a cardinal variable. We analyze its change by creating a dummy variable which takes the value of unity if it has improved relative to the previous year.

**Table 1: Elections and the CPIA**

	Failing States			All developing countries		
	Probit	RE Probit	IV Probit	Probit	RE Probit	IV Probit
	(1)	(2)	(3)	(4)	(5)	(6)
Nb of months since last election	0.014 (1.86)*	0.014 (1.92)*	0.060 (2.08)**	0.008 (1.74)*	0.008 (1.74)*	0.034 (2.44)**
Nb of months since last election, sq.	-0.0001 (0.98)	-0.0001 (1.01)	-0.001 (2.05)**	-0.0001 (1.05)	-0.0001 (1.02)	-0.001 (2.45)**
Secondary education, lag.	-0.023 (0.66)	-0.023 (0.63)	-0.015 (0.35)	-0.003 (0.40)	-0.003 (0.37)	-0.007 (0.97)
Resource rent, lag.	0.025 (1.79)*	0.025 (1.77)*	0.021 (1.36)	0.014 (2.55)**	0.014 (2.44)**	0.014 (2.39)**
Ln population, lag.	-0.022 (0.27)	-0.023 (0.28)	0.116 (0.99)	-0.002 (0.08)	-0.004 (0.14)	0.024 (0.71)
Constant	0.353 (0.49)	0.371 (0.50)	-1.255 (1.02)	0.286 (0.97)	0.305 (0.98)	-0.090 (0.24)
<i>p</i> -value for democracy <sup>(1)</sup>	0.901	0.904	0.817	0.558	0.569	0.559
<i>p</i> -value for democracy squared <sup>(2)</sup>	0.357	0.360	0.848	0.680	0.675	0.873
Observations	285 (20)	285 (20)	285 (20)	903 (60)	903 (60)	903 (60)
Sargan test from TSLS ( <i>p</i> -value)			0.74			0.68
Threshold value (in months)			39			32

Estimation method: Probit with robust standard errors, Random effects probit, IV probit. \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. (1) *p*-value for democracy when introduced in regressions (1)-(6). (2) *p*-value for democracy squared; in that case, democracy is also introduced in regressions (1)-(6). Education is from Barro and Lee (2000), Natural resource rent is from Collier and Hoeffler (2005), Population is from WDI (2004) and ODA and TA are from OECD-DAC.

Elections are measured using the Database of Political Institutions of the World Bank (Thorsten *et al.*, 2001, Keefer 2005). Evidently, elections are endogenous to reform although the endogeneity could work through various routes. A government could introduce a reform and then proudly hold an election confident that the electorate will reward good government. Alternatively, a government could adopt some costly populist measure that worsens the CPIA but delivers a short term fillip to consumption or wages and so decide to hold an election as quickly as possible. Or, there could be some omitted variable which affects both the CPIA and the willingness to hold an election. For example, if a group of political reformers gain power, they are likely both to improve the CPIA and to hold democratic elections. We therefore instrument the expected date of the next election. It is relatively straightforward to find good instruments since elections usually conform to some set frequency, so the time since the previous election and the time between that and the one before it are reasonable predictors that should not themselves directly influence current pressures to change the CPIA. Specifically, our instruments are a dummy variable for whether there is a finite term, the number of months between the two previous elections, and the number of years left in the current term.

We find a quadratic relationship: the time to the next election can be both too long and too short. The optimal period for failing states is 39 months, whereas for developing countries on average it is 32 months (a difference which is not statistically significant). The average frequency between elections in failing states during our period of analysis was 61 months, although presumably the democratic norm is likely to become around 48 months with occasional reasons for intervening elections which might make the frequency somewhat greater. In the transitional periods of failing states there is currently very heavy reliance upon elections: Iraq and Afghanistan have both had a whole sequence of elections in their first four years of democracy.

We next analyze the effect of an election on the pace of an ongoing reform. For a variety of reasons reforms sometimes get initiated in failing states: many of these reforms are aborted and our question is how the timing of an election during a reform affects these prospects. Our sample is this all incipient reforms in failing states, dated to the first year of the reform. We analyze the pace of the reform in the subsequent four year period, introducing the number of months since the last election, instrumented as previously. Our results build on previous work that analyses the effects of different types of aid during these incipient reforms, (Chauvet and Collier, 2006), and are reported in Table 2. The time since the last election and its square are significant, with an optimal time of 46 months. Hence, it appears that elections at around the normal political frequency are appropriate for keeping reforms going once they have started. In the second column of Table 2 we add the conventional Polity IV measure of democracy together with its square. Since the Polity IV measure is ordinal, a better approach than this quadratic would be dummy variables, but in this preliminary work we have approximated the relationship. Democracy and its square are significant, with a minimum at a Polity score of around 4.0 which is about the middle of the range for democratizing failing states, though it indicates a rather modest degree of democratization. This inverse quadratic

suggests that a little democracy is dysfunctional as regards the maintenance of momentum for reform. Possibly, the high frequency of elections and limited democratization are both indicators of the same phenomenon, a form of democracy that is being gamed by its participants. Failing states need a relatively high degree of democratization before the momentum of reform is superior to autocracy, but there is such a range.

**Table 2: Elections during Incipient Reforms**

	(1)	(2)
Ln income p.c., t-4	0.673 (1.29)	0.290 (0.40)
Ln population, t-4	0.574 (2.54)**	0.657 (2.75)***
(ODA-TA)/GDP, predicted, years 1 to 4	0.054 (0.34)	-0.487 (1.41)
(ODA-TA)/GDP, predicted, years 5 to 8	0.261 (2.10)**	0.328 (2.23)**
(ODA-TA)/GDP, predicted, years 9 to 12	0.063 (0.28)	0.219 (0.79)
TA/GDP, predicted, years 1 to 4	0.845 (2.73)***	2.828 (3.56)***
TA/GDP, predicted, years 5 to 8	0.052 (0.14)	-0.064 (0.13)
TA/GDP, predicted, years 9 to 12	0.205 (0.26)	-0.253 (0.25)
Nb of months since last election, predicted	0.070 (2.17)**	0.080 (1.55) [p=0.12]
Nb of months since last election, predicted, squared	-0.001 (2.24)**	-0.001 (1.78)*
Democracy		-0.867 (2.21)**
Democracy, squared		0.108 (1.98)**
Constant	-22.013 (3.30)***	-21.025 (2.61)***
Observations	184	172
Threshold (in months)	46	39
Threshold for democracy		4

Estimation using duration model (Weibull survival distribution). A positive coefficient accelerates sustainability of the incipient reform. \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Robust z statistics in parentheses. (1) *p*-value for democracy when introduced in regressions (1). (2) *p*-value for democracy squared; in that case, democracy is also introduced in regressions (1). Income is from the PWT 6.1, Population is from WDI (2004) and ODA and TA are from OECD-DAC. ODA and TA are instrumented using Tavares (2003) instruments.

Finally, we look at the preconditions for a sustained turnaround. We build on previous work that identifies the factors increasing the probability to have a sustained reform starting (Chauvet and Collier, 2007). Before focusing explicitly on elections, we consider the broader concept of democracy. In Table 3 we introduce democracy, measured by the Polity IV index, into a probit analysis of whether the conditions prevailing in year  $t$  are able to predict whether in the subsequent periods there is a sustained turnaround. Democracy enters negatively and is borderline significant.

**Table 3: Democracy and the Probability of a Sustained Turnaround**

Start of a sustained turnaround	Probit estimations	
	(1)	(2)
Education	0.161 (2.50)**	0.194 (2.97)***
Natural resource rent	-0.046 (1.76)*	-0.053 (1.85)*
Ln population	0.298 (1.89)*	0.285 (1.81)*
ODA/GDP, lagged	-0.058 (1.62)	-0.047 (1.55)
TA/GDP, lagged	0.219 (1.72)*	0.234 (1.88)*
Democracy		-0.102 (1.62)
Constant	-4.884 (3.19)***	-4.805 (3.19)***
Observations	344	342
Predicted probability	0.0185	0.015

Robust z statistics in parentheses, \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Education is from Barro and Lee (2000), Natural resource rent is from Collier and Hoeffler (2005), Population is from WDI (2004) and ODA and TA are from OECD-DAC.

We then replace the democracy measure with elections (Table 4). We ask, viewed from time  $t$  how does the timing of the next election affect the chances of a sustained turnaround? The timing of elections is significant. The ideal timing is for the next election to be in 72 months time. Recall that the actual frequency of elections in our sample of failing states is higher than this at 61 months. This relatively small difference in timing makes a large difference to the predicted probability of a sustained reform. Changing from the mean to the optimal frequency of elections would triple the expected probability of a sustained turnaround.

**Table 4: Elections and the Probability of a Sustained Turnaround**

Start of a sustained reform	Probit (1)	IVProbit (2)
Education	0.129 (1.91)*	0.156 (2.54)**
Resource rent	-0.047 (1.80)*	-0.042 (1.83)*
Ln population	0.309 (1.87)*	0.245 (1.86)*
ODA/GDP, lagged	-0.063 (1.76)*	-0.008 (0.22)
TA/GDP, lagged	0.172 (1.35)	0.132 (1.29)
Months since last election	-0.007 (0.98)	0.037 (2.49)**
Months since election, sq.	0.00005 (1.03)	-0.0002 (2.78)***
Constant	-4.575 (2.86)***	-4.52 (3.59)***
Observations	302	302
Exogeneity test ( <i>p</i> -value)		0.000
Thresholds (in months)		73
Predicted probability at mean	0.021	0.083
Predicted probability for optimal election timing		0.259

Robust z statistics in parentheses, \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Education is from Barro and Lee (2000), Natural resource rent is from Collier and Hoeffler (2005), Population is from WDI (2004) and ODA and TA are from OECD-DAC.

## 5. Conclusion

Bringing these results together, what can we say? In particular, does the optimistic 'accountability and legitimacy' model or the pessimistic model of second-best means of power maintenance look more likely? One clear result of our analysis is that elections can be both too frequent and too infrequent: there is an optimal frequency. Similarly, a little democracy appears to be dysfunctional, whereas sufficient democratization is superior to autocracy, at least in terms of reform momentum. This implies that there are opposing effects. For example, it may be that both models have some validity and the frequency of elections and the degree of democratization influence the balance between them: if elections are too frequent, or there are too few other checks and balances on the functioning of the political system, they are gamed and if they are too infrequent the government is not subject to any discipline from citizens.

Beyond this, the results of Tables 1 and 2, which focus on incremental change, are encouraging for a prognosis of current democratization. They suggest that the emerging norm for the frequency of elections, every four years, is pretty close to the optimum and a considerable improvement on the undemocratic practices of the past. However, the results of Tables 3 and 4, which focus on *decisive* reform, are less encouraging. They suggest that elections every four years may be too frequent and that this makes a substantial difference to the chance of escape from failing state conditions.

To conclude, the issue of the frequency of elections is perhaps more pertinent than grander issues of democracy versus autocracy, which though interesting have little policy pertinence. It relates to the emerging body of research on the conduct of elections: how can they exert both greater pressure for accountability and confer greater legitimacy on the winner.

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## **Appendix 1 – Definition of the Country Policy and Institutional Assessment (CPIA)**

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### **A. Macroeconomic management and sustainability of reforms**

1. General macroeconomic performance
2. Fiscal policy
3. Management of external debt
4. Macroeconomic management capacity
5. Sustainability of structural reforms

### **B. Structural policies for sustainable and equitable growth**

1. Trade policy
2. Foreign exchange regime
3. Financial stability and depth
4. Banking sector efficiency and resource mobilization
5. Property rights and rule-based governance
6. Competitive environment for the private sector
7. Factor and product markets
8. Environmental policies and regulations

### **C. Policies for social inclusion**

1. Poverty monitoring and analysis
2. Pro-poor targeting and programs
3. Safety nets

### **D. Public sector management**

1. Quality of budget and public investment process
2. Efficiency and equity of revenue mobilization
3. Efficiency and equity of public expenditures
4. Accountability of the public service

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Each of the twenty components of the CPIA is rated on a scale of 1–6.