

# **Regime Type and Effective Government: Is There (Still) a 'Democracy Advantage'?**



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Well before the onset of the COVID-19 pandemic, the meteoric rise of the People’s Republic of China to the status of global superpower rekindled global debate over governance models. Since it began to open up its economy to private enterprise along with foreign trade and investment in 1979, under the relatively pragmatic Chinese leader, Deng Xiaoping, China has averaged annual GDP growth over nine percent, amounting to what the World Bank termed “the fastest sustained expansion by a major economy in history.”<sup>1</sup> As a result, it has lifted hundreds of millions of people out of poverty in the space of just two generations. Within just a few decades, it has risen from low-income status to become the world’s second largest economy (and the largest as measured in purchasing power parity), as well as the global leader in “value-added manufacturing, merchandise

trade, and holder of foreign exchange reserves.”<sup>2</sup> In the course of this transformation, China has gone from being a technologically backward country to global dominance in manufacturing, and a global challenger—if not leader—in such cutting-edge fields of technology as advanced digital telecommunications, artificial intelligence, and facial recognition. Although China’s rapid progress in advanced technologies has come in no small measure due to theft and misappropriation of American and other Western intellectual property,<sup>3</sup> the transformation of China’s economy, physical infrastructure, and urban landscapes together with its dizzying pace of wealth creation had by the 2010s begun to awe the rest of the world, especially other developing countries.

China was the biggest and most recent country to achieve a

developmental transformation under authoritarian rule, but it was to some extent following in the footsteps of other “East Asian Miracle” countries, particularly South Korea, Taiwan, and Singapore (also, to a lesser extent, the semi-democratic Malaysia). Moreover, recently other highly authoritarian countries, such as Rwanda, have claimed developmental success under non-democratic rule. All of this has generated renewed interest in the question: Does authoritarian rule or democracy offer a developmental advantage? In this essay, I will explore the relationship today between regime type and effective government and discuss whether people around the world have really been swayed by “the China model.”

### **Democracy, Governance, and Human Prosperity**

To answer the above question, we

need to examine two types of relationships—between democracy and the quality of governance, and between democracy and economic development. Theoretically, scholars have long advanced strong reasons why democracy and the rule of law are strongly conducive to—if not always strictly necessary for—economic development. First, democratic institutions constrain the arbitrary power of rulers and thus constitute a check against predatory behavior, leading to secure property rights and economic growth.<sup>4</sup> Second, democracies are more responsive to the public and thus better able to deliver public goods such as education and health care, thereby increasing the accumulation of human capital and enhancing economic growth.<sup>5</sup> In addition, democracies provide mechanisms to moderate social conflicts and maintain political and economic stability.<sup>6</sup> Finally, democracies are more

likely to facilitate technological progress and encourage innovation.<sup>7</sup> Open societies with freedom of speech are instrumental for generating and disseminating new ideas, which encourage innovation.

The features of governance that provide the enabling conditions for prosperity are closely related to democracy. The World Bank measures annually six different elements of the quality of governance based on the perceptions of thousands of informed experts and stakeholders in the private sector, NGOs, and public sector agencies.<sup>8</sup> Three of these measures capture particularly well the conditions for sustained prosperity:

- Rule of Law: “the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.”

- Control of Corruption: “the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.”
- Regulatory Quality: “the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.”<sup>9</sup>

Empirically, each of these three measures is very strongly related to democracy (and to the other two governance measures). The overall correlation (which can range from -1 to +1) between the rule of law and the extent of democracy is about 0.75 (for the Varieties of Democracy (V-Dem) measure of Liberal Democracy<sup>10</sup>, or 0.72 for the Freedom House scale of political rights and civil liberties<sup>11</sup>). The positive correlations between democracy and regulatory quality are almost identical to

rule of law (0.75 and 0.73). The correlations with control of corruption are slightly lower (0.67 and 0.62), but the two democracy scales correlate higher with Transparency International's measure of corruption control (0.75 and 0.70). All of these correlations are highly statistically significant. Moreover, these associations are highly robust across different regions of the world. While they are weaker within Asia (generally between 0.3 and 0.5) they are still mostly statistically significant, and within some regions they are especially strong (over 0.80 in Central and Eastern Europe). In most regions of the world (save the Middle East), the quality of governance is strongly positively related to the degree of democracy.

We get a similar perspective if we examine the Heritage Foundation's 2020 Index of Economic Freedom,<sup>12</sup> an aggregate score evaluating rule of law,

government size, regulatory efficiency, and openness of markets. Of the 35 countries rated free or mostly free, 29 are democracies and two (Malaysia and Armenia) have had pluralistic and competitive political systems that have been approaching democracy. The four authoritarian regimes are mainly familiar among the authoritarian "success stories": Singapore, UAE, Qatar, and Rwanda. By contrast, most of the 19 worst economically repressed countries are politically authoritarian regimes, such as Iran, Zimbabwe, and Venezuela. Over 80 percent of the economically freest countries are democracies, and nearly 80 percent of the least economically free countries are authoritarian regimes. The world's most liberal democracies in political terms also generally have the freest economies.

### **Democracy and Economic Development**

China benefited dramatically from its opening up to the world economy and market forces, but it was (especially in the early years) able to achieve such dramatic economic growth in part because of the size of its market and the huge reserve of low-wage labor it could mobilize for manufacturing. In general, other developing countries could not deploy these advantages of scale and market power, which enabled China to attract massive foreign investment despite high levels of corruption and a weak rule of law.

Over the decades, the econometric literature has generated somewhat conflicting evidence on the relationship between economic development and democracy. More recent studies, however, have tended to affirm “the democracy advantage.” An analysis of about 150 countries over the period 1960 to 2000 found that

democracy is associated with a 0.75 percentage point annual increase in economic growth.<sup>13</sup> Similarly, an analysis of up to 166 countries during the 1960–2003 period showed that democratic transitions are associated with an increase of one percentage point in annual GDP per capita growth, and the effect is relatively larger in “partial democratizations”<sup>14</sup> and in the medium and long run.<sup>15</sup> Most recently (and exhaustively), Daron Acemoglu and his colleagues, drawing on a sample of 175 countries from 1960 to 2010, consistently find that democratization increases GDP per capita by approximately 20 percent in the long run (more than 25 years).<sup>16</sup> In other words, the GDP per capita of the typical authoritarian regime would be 20 percent higher today had it democratized 25 years ago. Furthermore, the effect of democratic institutions is cumulative in the sense

that democratic stock—a country's democracy history—is found to be robustly associated with economic growth rates.<sup>17</sup>

Contemporary patterns suggest the strong relationship between economic development level and democracy continues to hold. As measured by per capita income, only four of the 25 richest countries—Singapore, Qatar, Kuwait, and UAE—are non-democracies. In fact, only one of those, Singapore, became wealthy by its own entrepreneurial initiative, as opposed to the natural resource windfall of oil. With every step down the ladder of wealth, the percentage of authoritarian regimes rises. While authoritarian regimes represent only one-fifth of the 50 richest countries, they account for more than three-quarters of the 57 poorest countries.

A better way to measure development than per capita income

(which tells us nothing about distribution) is the UNDP's Human Development Index (HDI), which controls somewhat for income inequality by averaging three measures: gross national income per capita (in purchasing power parity dollars); health, as measured by years of life expectancy; and education (an average of the current expected years of schooling for children at school-entry age and the mean actual years of schooling of the adult population).<sup>18</sup>

Because the HDI controls for inequality and tempers the artificial, distorting effect of oil wealth, it is more highly correlated with democracy (about 0.70).<sup>19</sup> This means nearly half of the variation ( $R^2=0.49$ ) in the 2019 HDI scores can be explained simply by the level of democracy in a country (as measured by the annual Democracy Index of *The Economist*<sup>20</sup>). Among the top 25 states in human development,

only Singapore is not a democracy. The next 25 include several oil-rich states (along with Russia and Belarus), but the step pattern then strikingly continues: with each step down the ladder of human development, there are fewer and fewer democracies. Among the bottom 38 countries in Human Development, 80 percent are authoritarian regimes.

*The Economist's Democracy*

Index summarizes democracy scores into four categories: full democracies, flawed democracies, hybrid regimes, and authoritarian regimes. The latter two non-democratic regime types have significantly lower average HDI scores (a little over 0.610) than do the democracies. Even the flawed democracies score much higher (0.786 on average) and the full (liberal) democracies perform by far the best (0.902). By any measure, and over any time period, democracies are more

prosperous than authoritarian regimes—and when one looks at “real” human development, rather than just the average money income, the advantage increases. If we look at HDI scores over the past decade (2010-2019) according to the type of regime that has prevailed over the entire decade, the same pattern holds. The countries that have been continuously liberal democracies over the decade—with strong protections for rule of law, private property, and control of corruption—have achieved and maintained the highest levels of human development (0.84 on average). Electoral democracies have performed better than hybrid regimes or continuous autocracies, but the difference is much smaller (0.68 vs. 0.62).

**The Impact of the COVID-19 Pandemic**



When the COVID-19 pandemic began to sweep across the globe in the Spring of 2020, there was already a strong pro-authoritarian narrative gathering momentum, as it had done in the 1960s and 70s. This was due in part due to China's phenomenally rapid rise and in part to China's own trumpeting of its model of governance as superior to that of the Western democracies.

Several other factors also contributed to what seemed to be the diminishing luster of democracy around the world.

For one thing, democracy has been in a protracted recession that has seen levels of freedom and democracy weaken steadily for fourteen years.<sup>21</sup> In the early years of this recession, the deterioration was modest and somewhat debatable, but in recent years more and more democracies have been degraded or overcome by authoritarian populist demagogues and other authoritarian challengers, to the point where the trend

is now widely acknowledged and increasingly the subject of alarming annual reports.<sup>22</sup> Even more damaging to the reputation of democracy has been the diminishing efficacy and declining quality of many of the world's richest and most powerful democracies, especially the United States under the chaotic and illiberal presidency of Donald Trump. Consequently, more and more people have been asking if democracy is really the best, most effective system of governance.

Then came the COVID-19 pandemic. Although the virus emerged in Wuhan, China, and reached epidemic and then pandemic proportions *because* of the lack of transparency and press freedom in China—which enabled local Chinese officials to cover it up and infected people to leave Wuhan and even China itself—China did get relatively firm control of the virus with drastic measures of lockdown and

surveillance after the initially disastrous outbreak. The world's democracies, by contrast, largely failed to do so. Even allowing for the likely considerable under-reporting of COVID-19 cases and fatalities in less developed countries and in countries under authoritarian rule, the data still tell a stark story. Almost all of the countries hardest hit by COVID-19, particularly in COVID deaths per 100,000 inhabitants, have been democracies. Most of these have been in Europe (led by Belgium, Italy, Spain, UK, and France) and in Latin America (Peru, Mexico, Argentina, and Brazil), but the United States has consistently been among the top 10-15 countries in terms of fatality rate, and it leads all other countries by a wide margin in the raw numbers of confirmed cases and total deaths.<sup>23</sup> Yet democracies have also been among the best performers in containing the pandemic, most of all Taiwan but also South Korea, Australia,

New Zealand, and Japan. These countries benefited not only from geography but from effective governments with strong public health systems that learned lessons from the SARS crisis in 2002-3. These Asian-Pacific countries, and others like Germany, demonstrated that it is possible to have a competent government managing a pandemic without sacrificing freedom: "The successful governments responded early and vigilantly, with widespread testing and contact tracing, and they communicated with their publics in a transparent, coordinated manner that put health professionals at the forefront."<sup>24</sup> There was nothing about the required response that gave authoritarian regimes an intrinsic advantage; as a matter of fact, the transparency of democracies conferred certain benefits. However, the stubborn advance of the pandemic in many of the

world's wealthiest democracies has further damaged their global stature—and that of democracy, too.

### **Do People Want the China Model?**

Despite the seeming spectacular success of the “China model,” global public opinion has recently shifted dramatically away from sympathy toward China. A summer 2020 survey of 14 advanced industrial democracies (in Europe, the U.S., Canada, Australia, Japan, and South Korea) found that sizable majorities in each country (ranging from 62 to 86%) had an unfavorable view of China. In most of these countries, disapproving views are at their highest level ever recorded in the survey, even though nearly all the countries still see China as the world's leading economic power. This rising hostility owes in part to negative assessments of how China has handled

the virus, with an average of 61% across the 14 countries saying China has done a bad job of dealing with COVID-19. Further, it is a reaction against China's increasingly aggressive efforts to dominate global politics and trade through bullying, intimidation, propaganda, censorship, corruption, and other “sharp power” tactics.<sup>25</sup> As a result, a median of 78 percent in the 14 countries say they have no confidence “in Chinese President Xi Jinping to do the right thing in world affairs.”<sup>26</sup> The Pew survey found even lower confidence in US President Donald Trump along with more negative evaluations of how the US has handled the virus (as compared to China). However, the damage that this sorry record of the US has done to global opinions about regime alternatives is mitigated by the fact that, in contrast to China, a democracy like the US can—and, in fact, recently did—replace a bad leader, and

(as noted above) many democracies have done a better job of managing the pandemic.

Hence, China's rise and democracy's disappointments have so far done little to dampen the overall global enthusiasm for democracy as a form of government. Recent surveys (albeit preceding the COVID pandemic) show strong continuing support for such democratic principles as honest, competitive elections to choose leaders, an impartial judicial system, and freedom of expression. In fact, between 2015 and 2019 (the most recent Pew survey), support for free elections increased in more countries (eight) than it declined (five).<sup>27</sup>

Even in the poorest region of the world, sub-Saharan Africa, the attachment to democracy remains robust. In its latest (2019-20) round of surveys (albeit only so far for 18 of the 34 countries in the project), the

Afrobarometer found: "Across 18 countries, more than two-thirds (68 percent) of respondents expressed a preference for democracy over any other political system, a preference that has remained fairly steady since 2011. Even larger proportions reject presidential dictatorship (81 percent), one-party rule (76 percent) and military rule (73 percent)."<sup>28</sup> Globally, there has been erosion in support for democracy (particularly in Latin America), but this appears to be more in response to performance failures that citizens perceive in their own democracies. In every region of the world that has been surveyed, democracy remains (on average) the favored model of government.<sup>29</sup> Indeed, survey results from authoritarian regimes show that democracy "remains the regime for which people long when they live under the heels of rulers who rob them of their rights and freedoms."<sup>30</sup>

In sum, despite China's stunning rise to global power and its muscular efforts to promote its model of authoritarian governance, democracy—though blemished and humbled—remains the preferred form of government in the world, and the best form of government not only for protecting rights but for delivering sustained and broadly distributed prosperity. Yet, ordinary people's faith in democracy is stubborn but not blind. If the United States and other democracies do not ultimately vanquish the virus and demonstrate anew the capacity for effective governance, public support for democracy will eventually experience much greater and more disastrous erosion.



### **Author Bio**

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## End Notes

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<sup>1</sup> Quoted in Congressional Research Service, "China's Economic Rise: History, Trends, Challenges, and Implications for the United States" Updated June 25, 2019, <https://fas.org/sgp/crs/row/RL33534.pdf>, p. 1.

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<sup>2</sup> Ibid.

<sup>3</sup> Diamond and Schell, chapter 8, pp. 139-150.

<sup>4</sup> Douglass North, (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge

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<sup>5</sup> Bruce Bueno de Mesquita, Alastair Smith, Randolph Siverson and James Morrow, (2003). *The Logic of Political Survival*. Cambridge, MA: MIT Press; Matthew Baum and David Lake, (2003). "The Political Economy of Growth: Democracy and Human Capital," *American Journal of Political Science* 47(2): 333–347.

<sup>6</sup> Dani Rodrik, (2000). "Participatory Politics, Social Cooperation, and Economic Stability," *American Economic Review* 90(2): 140-144

<sup>7</sup> Morton Halperin, Joe Siegle, Michael Weinstein, (2005). *The Democracy Advantage: How Democracies Promote Prosperity and Peace*. New York: Routledge; Helen Milner, (2006), "The Digital Divide: The Role of Political Institutions in Technology Diffusion," *Comparative Political Studies* 36(2): 176–199

<sup>8</sup> Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, "Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008," World Bank Policy Research Working Paper No. 4978, June 2009,

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1424591](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1424591), p. 4.

<sup>9</sup> Ibid, p. 6.

<sup>10</sup> "Autocratization Surges—Resistance Grows," V-Dem 2020 Democracy Report, pp. 30-32. [https://www.v-dem.net/media/filer\\_public/de/39/de39af54-0bc5-4421-89ae-fb20dcc53dba/democracy\\_report.pdf](https://www.v-dem.net/media/filer_public/de/39/de39af54-0bc5-4421-89ae-fb20dcc53dba/democracy_report.pdf)

<sup>11</sup> Freedom House, "Freedom in the World 2020: A Leaderless Struggle," [https://freedomhouse.org/sites/default/files/2020-02/FIW\\_2020\\_REPORT\\_BOOKLET\\_Final.pdf](https://freedomhouse.org/sites/default/files/2020-02/FIW_2020_REPORT_BOOKLET_Final.pdf).

<sup>12</sup> <https://www.heritage.org/index/ranking?version=468>.

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- <sup>13</sup> Torsten Persson and Guido Tabellini, (2006). “Democracy and Development: The Devil in the Details,” *American Economic Review* 96(2): 319–324
- <sup>14</sup> “Full” democratization is coded when both the Polity indicator is greater than +7 and the FH status characterization is “free”. All remaining democratization countries are coded as “partial”.
- <sup>15</sup> Elias Papaioannou and Gregorios Siourounis, (2008). “Democratization and Growth,” *The Economic Journal* 118 (October):1520–1551
- <sup>16</sup> Daron Acemoglu, Suresh Naidu, Pascual Restrepo and James A. Robinson, “Democracy Does Cause Growth,” *Journal of Political Economy* 127 (2019): 47-100.
- <sup>17</sup> John Gerring, Philip Bond, William Barndt and Carola Moreno, (2005). “Democracy and Economic Growth: A Historical Perspective,” *World Politics* 57(3) : 323-364;
- Torsten Persson and Guido Tabellini, (2009). “Democratic Capital: The Nexus of Political and Economic Change,” *American Economic Journal: Macroeconomics* 1(2), 88–126
- <sup>18</sup> <https://ourworldindata.org/human-development-index#>.
- <sup>19</sup> The correlation for 2018 between HDI scores and the Freedom House scale is about .60.
- <sup>20</sup> <https://www.eiu.com/topic/democracy-index>. This correlation is computed by excluding the five oil-rich Gulf states (Bahrain, Kuwait, Qatar, Saudi Arabia, and UAE), whose artificial oil wealth relative to population distorts the results. If these are excluded, the R<sup>2</sup> drops to .42, which is still substantial.
- <sup>21</sup> Larry Diamond, *Ill Winds: Saving Democracy from Russian Rage, Chinese Ambition, and American Complacency* (New York: Penguin Books, 2018).
- <sup>22</sup> See the recent annual reports of Freedom House, V-Dem, and the Economist Democracy Index.
- <sup>23</sup> Johns Hopkins Coronavirus Resource Center, <https://coronavirus.jhu.edu/data/mortality>.
- <sup>24</sup> Larry Diamond, “Democracy vs. the Pandemic,” *Foreign Affairs*, June 13, 2020, <https://www.foreignaffairs.com/articles/world/2020-06-13/democracy-versus-pandemic>.
- <sup>25</sup> Diamond and Schell, *China’s Influence and American Interests*; Diamond, *Ill Winds*, ch. 7, pp. 127-146; International Forum for Democratic Studies, National Endowment



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<sup>26</sup> Laura Silver, Kat Devlin, and Christine Huang, “Unfavorable Views of China Reach Historic Highs in Many Countries,” Pew Research Center, October 6, 2020,

<https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries/>.

<sup>27</sup> Richard Wike and Shannon Schumacher, “Democratic Rights Popular Globally But Commitment to Them Not Always Strong,” Pew Research Center, February 27, 2020,

<https://www.pewresearch.org/global/2020/02/27/attitudes-toward-democratic-rights-and-institutions/>.

<sup>28</sup> Carolyn Logan and E. Gyimah-Boadi, “African citizens expect more from their lives — and their governments, Afrobarometer surveys find,” *Washington Post*, October 23,

2020, <https://www.washingtonpost.com/politics/2020/10/23/african-citizens-expect-more-their-lives-their-governments-afrobarometer-surveys-find/>.

<sup>29</sup> Yun-han Chu, Kai-Ping Huang, Marta Lagos, and Robert Mattes, “A Lost Decade for Third-Wave Democracies?” *Journal of Democracy* 31 (April 2020): 166-181.

<sup>30</sup> *Ibid*, pp. 175-76.