

# Oxford Research Encyclopedia of Politics

## **From Elections to Democracy in Hard Times**

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Subject: Governance/Political Change, Political Economy, Political Institutions, World Politics

Online Publication Date: Apr 2019 DOI: 10.1093/acrefore/9780190228637.013.627

### **Summary and Keywords**

The end of the Cold War, heralded as the ideological triumph of (Western) liberal democracy, was accompanied by an electoral boom and historically high levels of economic development. More recently, however, democratic progress has stalled, populism has been on the rise, and a number of democracies around the world are either backsliding or failing entirely. What explains this contemporary crisis of democracy despite conditions theorized to promote democratic success?

Research on democratization and democracy promotion tends to focus predominantly on elections. Although necessary for democracy, free and fair elections are more effective at promoting democratic progress when they are held in states with strong institutions, such as those that can guarantee the rule of law and constraints on executive power. However, increased globalization and international economic integration have stunted the development of these institutions by limiting states' economic policy options, and, as a result, their fiscal policy space. When a state's fiscal policy space—or, its ability to collect and spend revenue—is limited, governments are less able to provide public goods to citizens, politicians rely on populist rather than ideological appeals to win votes, and elections lose their democratizing potential.

Additional research from a political-economic framework that incorporates insights from studies on state building and institutions with recent approaches to democratization and democracy promotion, which focus predominantly on elections, is needed. Such a framework provides avenues for additional research on the institutional aspects of ongoing democratization and democratic backsliding.

Keywords: Elections, democracy promotion, international economic integration, fiscal policy space, democratic backsliding, institutions, political economy

# Introduction

The fall of the Soviet Union heralded the ideological triumph of (Western) liberal democracy and economic liberalism (Fukuyama, 1989). This end of history was accompanied both by an electoral boom, beginning in 1988, that brought high-quality elections to all but a few countries around the world (Huntington, 1993), and also by historically high levels of economic development (Radelet, 2015). Despite these positive trends, it is becoming increasingly apparent that democracy is struggling and in some cases even failing (Diamond, 2015; Flores & Nooruddin, 2016; Norris, 2016). A comprehensive analysis of over 1,000 executive elections held in the developing world reveals that, since 1990, even free and fair competitive elections have yielded little to no democratic progress, even in countries with much room left for improvement (Flores & Nooruddin, 2016). Democratic backsliding—which occurs when elected officials weaken or erode democratic institutions, and results in a form of illiberal, diminished, winner-takes-all democracy—has been on the rise (Levitsky & Ziblatt, 2018; Lührmann et al., 2018). Politicians in developing democracies are increasingly adopting populist appeals—characterized by nativism, majoritarianism, and anti-liberalism, and often divorced from substantive ideological and policy positions—to attract voter support (Mounk, 2018). What explains this crisis of democracy?

Although extensive, existing research on democracy offers few answers. Structural and developmental theories of democracy would predict democratic success in many of the states that are backsliding. More recent studies that focus on elections as a means of attaining democracy would similarly lead us to expect democratic success in the wake of widespread, high-quality elections. Work that links regional and international actors with democratic regime outcomes also fails to explain recent democratic regression and the surge in far-right, illiberal populism, as do theories that highlight the role of increased information in promoting democratization and democratic accountability. Focusing on the political-economic sources of this emerging democratic crisis, this article proposes a research agenda that combines insights from research on state building and institutions with recent approaches to democratization and democracy promotion, these have focused predominantly on election monitoring and promotion, yet have overlooked.

Although necessary for democracy, free and fair elections are more effective at promoting democratic progress when they are held in states with strong institutions. Elections are more likely to deepen democracy when held in the context of preexisting institutions that protect the rule of law and provide constraints on executive power (Flores & Nooruddin, 2016). However, globalization and international economic integration have stunted the formation of these other important institutions in developing states, in several ways.<sup>1</sup> First, globalization constrains the types of economic policies states can pursue, principally limiting the use of profitable trade taxes or tariffs that would contravene the spirit and rules of a free-trade-oriented global rule order (Tanzi, 1995). As a result, governments' fiscal space, which consists of its ability to raise and spend revenue, is stunted (Bastiaens & Rudra, 2018).

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Without adequate fiscal space, the modern state is less able to develop strong institutions capable of providing public goods to citizens; as a result, elections can lose their democratizing potential. Nevertheless, democratic elections are increasingly being promoted and held in countries where state institutions are weak and policy alternatives are limited. In these cases, since candidates can no longer campaign for election by adopting and debating policy positions and using past evidence of government efficacy, incumbents often instead manipulate institutional checks on their power while in office to increase their chances of maintaining power. Furthermore, these same incumbents resort to populist appeals to win votes, since they lack the resources to campaign based on previous evidence of governing effectiveness. These populist appeals resonate with citizens living in states with institutions too weak to provide adequate social and economic safeguards. In short, elections held in contexts with weak institutions are less effective at inducing democratic progress.

This article reviews existing research on democratic backsliding and populism as evidence of the global crisis of democracy, and then argues that existing theories of democratization cannot explain these emerging trends. It proposes a political-economy framework that unites work on the institutional and electoral components of democracy in order to understand the inability of elections and democracy promotion to instill long-term democratic improvement. This article concludes with a call for additional research on the institutional aspects of democratization and democratic backsliding, focusing primarily on the sources and effects of weak institutions.

## Democratic Backsliding and the Rise of Populism

Despite the post-Cold-War electoral boom and unprecedented levels of international support for democracy, democracy today is beleaguered. The recent rise of democratic backsliding exemplifies the types of challenges democracy is facing. For example, since 2011 in Hungary, Victor Orbán has eliminated significant constitutional checks on executive power, diminished the independence of the judiciary, limited media pluralism, and modified the electoral system—all by legal means—to facilitate the continued dominance of his party. Orbán went so far as to proclaim publicly that liberal democracy had failed in Hungary, and advocated instead a form of illiberal democracy. Poland embarked on a similar trajectory when the Law and Justice (PiS) party came to power in 2015. Even now, this right-wing populist party is facing European Union (EU) sanctions over controversial judicial reforms that threaten to undermine judicial independence. Similar and often more extreme trends have emerged in Honduras, Rwanda, the Philippines, Venezuela, Ecuador, Turkey, and other developing democracies around the world, and, as Figure 1 illustrates, democratic backsliding is an increasingly common phenomenon.<sup>2</sup>

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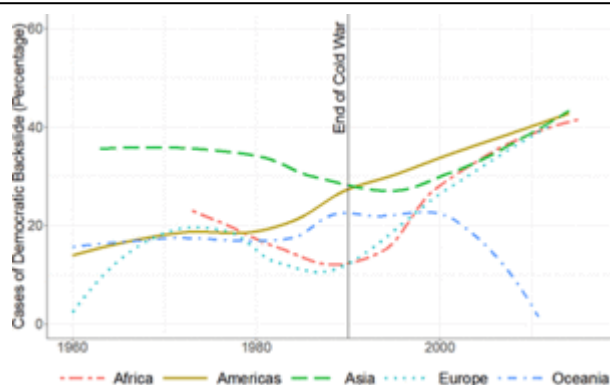


Figure 1: The percentage of countries experiencing democratic backsliding has been on the rise since the end of the Cold War, and especially over the previous decade.

Source: Meyerrose (2018).

Scholarly attention has focused more on explaining regime outcomes than on democratic backsliding. A comprehensive stock take commissioned by the United States Agency for International Development's (USAID) Center of Excellence on Democracy, Rights, and Governance assesses the relevant research and identifies 30-plus testable

hypotheses for future work on backsliding (Lust & Waldner, 2015). Although democratic backsliding is increasingly common, the literature on this phenomenon remains limited. Research on regime outcomes is dominated by theories of democratization and democratic collapse, or cases in which democracies fail and are replaced by autocracies (Conroy-Krutz & Frantz, 2017). However, with heightened international pressure to adhere to minimal democratic conditions, exemplified by the nearly universal norm of holding relatively free and fair elections (Hyde, 2011), extreme attacks against democracy, such as military and executive coups and election-day fraud, have become less common, and democratic collapse is increasingly rare (Slater, 2013). Instead, democratic backsliding, which occurs when democratic institutions other than elections themselves are weakened or altered, has become more common (Bermeo, 2016; Haggard & Kaufman, 2016; Meyerrose, 2018). Examples of institutions targeted in cases of backsliding include: the constitution, the rule of law, civil and minority rights, the independence of the judiciary and the media, and the separation of power with government. The result is an illiberal or diminished form of democracy, rather than full-fledged autocracy.

Despite this empirical shift, democratic backsliding continues to be a poorly understood concept (Bermeo, 2016). Although authors have begun to distinguish between the causes of democratic transitions and breakdowns (Aleman & Yang, 2011), research on regime outcomes tends to conflate cases of democratic backsliding with democratic collapse and autocratic reversion, viewing these as varying outcomes of the same underlying process (Bermeo, 2016). However, since the outcomes of backsliding and breakdown are two distinct regime types—democracy and autocracy, respectively—this lack of distinction is insufficient.

Another limitation of theories of democratic backsliding is that existing work tends to study this phenomenon on a case-by-case basis (Finkel, Horowitz, & Rojo-Mendoza, 2012; Serra, 2012), and focuses predominantly on potential domestic causes, including: the collapse of social-democratic and center-left parties (Fomina & Kucharczyk, 2016; Innes,

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2014; Krastev, 2016), economic recession (Svolik, 2008), anti-immigrant sentiments and other cultural factors (Rupnik, 2016), and domestic actors' preferences (Mainwaring & Perez-Liñan, 2013). Democratic backsliding in both new and mature democracies has been linked to citizens' growing dissatisfaction with their democratic political systems (Foa & Mounk, 2017).

What processes of democratic backsliding share is an increase in populist appeals to voters and stronger populist parties (Mudde & Kaltwasser, 2018). Like democratic backsliding, populism challenges a number of aspects of democracy. In particular, populist radical or far-right parties, which are characterized by their nativist, authoritarian ideologies, in particular, have been growing stronger in Europe since the 1980s and began to significantly gain in strength in the 1990s (Mudde, 2007). Many of these parties define themselves in direct opposition to key features increasingly associated with democracy, such as political safeguards against majoritarianism via constitutional protection of minority rights, individualism, and the intermediary institutions of liberal democracy, which populists argue inhibit the translation of the will of the people into policy (Bugarcic, 2008; Linden, 2008; Minkenberg, 2002; Mudde, 2007). Populist appeals strongly oppose free trade and globalization generally as part of broadsides against so-called globalists and economic elites (Balfour et al., 2016; Koev, 2013).

The rise of populism and increased political polarization are often understood as a backlash against the economic hardship brought on by globalization. Economic grievances, such as unemployment, drive support for these types of political parties (Golder, 2003; Jackman & Volpert, 1996). Trade has received special attention as a form of globalization of globalization. Studies have found that domestic employment sectors in wealthy, industrialized countries that are more exposed to trade with low-income economies, such as China, are more likely to vote for far-right (but not far-left) political parties in Western democracies (Colantone & Stanig, 2017; Dippel, Gold, & Hebllich, 2015; Malgouyres, 2017).

While these studies provide important insight into the sources of support for far-right populism, research on this topic has been confined largely to far-right populist parties in Europe, with a few exceptions (Conniff, 2012). Indeed, until relatively recently scholars assumed that these types of parties were a phenomenon unique to postindustrial democracies in Western Europe (Mudde, 2007; Mudde & Kaltwasser, 2018), though more recently studies have begun to consider far-right populism in Central and Eastern Europe as well. The rise of these parties in Europe has been attributed to historical factors (Carpenter, 1997; Hockenos, 1993), economic hardship, again often due to globalization (Betz, 1994; Bustikova & Kitschelt, 2009; Minkenberg & Perrineau, 2007), public mistrust of elites (Krastev, 2007; Rupnik, 2007), and the EU accession process in Central and Eastern Europe (Grzymala-Busse & Innes, 2003; Innes, 2002). Populism, and in particular populist leaders, in Africa and Asia have also received more attention recently (Jaffrelot & Tillin, 2017; Kurlantzick, 2017; Resnick, 2017).

As the limits of elections as tools of democratization become more apparent, it is critical that research on populism explain how globalization has fueled this type of politics in democracies around the world, both within and outside of Europe. Such primary research will help to identify the sources of democratic backsliding. Theories of backsliding must build on work on populism to consider both how and under what conditions populism and backsliding co-vary and the extent to which populism is used as a tool to create support for democratic erosion among citizens, but also more broadly to develop a conceptual framework for studying the causes and consequences of backsliding. Indeed, existing proposed causes of backsliding, such as the collapse of center-left parties, economic recession, opposition to immigration, and citizens' dissatisfaction with how democracy functions in their country, can all be united by a research agenda that considers how various aspects of globalization have fueled backsliding.

The following sections outline existing theories of democratization, show how they fail to explain recent democratic decline, and then illustrate how one consequence of globalization—limited domestic fiscal space—can account for emerging trends.

## Why Existing Theories of Democracy Fail to Explain Today's Democratic Malaise

Democratic backsliding and the rise of populism are signal challenges to democracy. However, in spite of decades of research on the determinants of democratic transition and consolidation, existing theories of democracy have failed to anticipate or to explain why contemporary democracy is in crisis. This section reviews influential strands of democratization scholarship, all of which would predict that democracy should be particularly successful today.

### Structural Theories of Democratization

Early theories of democratization focused on the economic and structural preconditions for democratization and democratic survival or consolidation, paying little to no attention to the role of elections in democratization processes. The earliest economic theory of democratization, modernization theory, argues that economic development makes democratization more likely by increasing the likelihood that individuals and social groups will support democratic principles (Inglehart, 1997; Moore, 1966,). Extending these individual- and class-level theories, others argue that economic development makes democracy more likely at the national level (Cutright, 1963; Cutright & Wiley, 1969; Lipset, 1959). Although at different points the causal links between economic development and democratization have been questioned and refined (Acemoglu, Johnson, & Robinson, 2001; Huntington, 1968; O'Donnell & Schmitter, 1986; Przeworski, Alvarez, Cheibub & Limongi, 2000), and the applicability of this theory to the third wave of democracy in particular has been questioned (Haggard & Kaufman, 2016), the general correlation between economic development and democracy has nevertheless withstood decades of critiques and evaluation (Boix, 2011; Boix & Stokes, 2003; Kennedy, 2010).

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More recently, this finding has been extended to the conclusion that poor economic conditions and especially economic crises can make democratic backsliding or autocratic reversal more likely (Kapstein & Converse, 2008; Miller, 2012; Svulik, 2008).

Another strand of the classical modernization theory is worth discussing here. Access to information has also been theorized to contribute to democratic success. Its importance for democracy and political participation first became apparent in the 18th century, when literacy rates were on the rise. Since then, researchers have noted the number of political roles that media play in democracies. First, mass media increase political participation (Deutsch, 1961). The information provided by mass media can be used to help voters to hold politicians accountable, and more broadly increases the number of checks on government power. This, in turn, is theorized to increase the overall quality of elections (Gottlieb, 2015).

Indeed, focusing specifically on democracies that emerged or already existed during the third wave of democracy (1974–2006) and searching for an alternative to economic theories of democracy, which are often insufficient when applied to third-wave states (Haggard & Kaufman, 2016), Teorell (2010) argues that media proliferation is the most important component of modernization for sustaining democracy. However, empirically, the impact of increased access to information on democratic quality is unclear. On the one hand, a study of Ugandan voters finds that text messages providing information about budget corruption among officials can encourage voters to incorporate politicians' performance in office into their vote choices (Buntaine, Jablonski, Nielson, & Pickering, 2018). Others, however, find that the extent to which increased access to information increases electoral accountability is conditional on a range of factors, including whether or not voters view candidates as their co-ethnics (Adida, Gottlieb, Kramon, & McClendon, 2017), the extent to which the information provided is salient to voters (Boas & Hidalgo, 2019), and the social connectedness of voters to one another (Arias, Balan, Larreguy, Marshall, & Querubin, FORTHCOMING). Not only do media only have conditional effects, but further studies have also found that social media in particular may actually harm democracy by spreading misinformation and creating sharper social divisions by only providing certain information to certain groups, thereby hollowing out any empirical basis for compromise (Sunstein, 2018; *The Economist*, 2017; Whitehead, 2018).

Several decades of unprecedented global economic growth, fueled initially by reconstruction following the Second World War, preceded the 1988 electoral boom. Access to information and levels of education around the world are also higher in the second decade of the 21st century than at any prior time in human history. In this context, structural theories of democratization that emphasize economic development, literacy, and information would lead us to expect democracy to have expanded significantly. Although democratic elections have spread to most regions of the world, democratic backsliding and related attacks against democracy have emerged in both low-income and also relatively economically developed areas, such as in post-communist members of the European Union (EU) and in Latin America. Furthermore, democratization during the third wave occurred relatively rapidly when compared to

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earlier waves of democracy. Thus, structural theories of democracy on their own are insufficient to explain contemporary patterns of democratization and democratic regression.

### Electoral Approaches to Democratization

Stepping away from the individual and structural economic preconditions necessary for democracy, another approach to explaining democratization and democratic success focuses on the role of elections. Initially, research on the relationship between elections and democracy treated elections as the culmination of a process of political opening. For Rustow (1970), for example, transitions to democracy are a three-stage process. First, there is a phase of conflict between competing social groups within a state. Second, there is a decision phase, during which political elites resolve conflicts and opt for democratic change. Finally, there is an opening phase, in which acceptance of the new regime deepens; this final stage includes the commencement of regular elections. This framework is useful for understanding the subsequent organization of democratization research into that which studied transitions to democracy from previously autocratic systems, and that which studied the consolidation of the rules of democratic practice until it reached a point where a reversion to autocracy would be considered unthinkable. Free and fair competitive elections, as the most visible institutional form of democratic practice, were the culmination of both these processes, as in the processes looked at by both strands of research (Linz & Stepan, 1996; O'Donnell & Schmitter, 1986).

More recently, however, observers noted that, especially during the third wave of democratization (Huntington, 1993), elections were increasingly the first phase of democratization, rather than the culmination of a long process of gradual liberalization. Thus, theories shifted once more and began to view elections as the initiators of transitions to democracy (Lindberg, 2009). By opening a space for political competition, elections create an opportunity for opponents both to contest for power formally, and to alter the rules of political competition within a state informally (Schedler, 2002). This, in turn, creates increased pressure for liberalization over time (Hadenius & Teorell, 2007; Howard & Roessler, 2006). However, other scholars caution that not all elections are created equal; elections only lead to democratization when they are of high quality. In this view, only honestly administered elections can further processes of democratization (Beaulieu, 2014; Donno, 2013; Norris, 2014; Simpser, 2013). Yet other studies show that elections have only contributed to democratization in specific periods and particular regions, such that their effect is quite limited (Edgell, Mechkova, Altman, Bernhard, & Lindberg, 2018).

Regardless of whether elections are viewed as the final outcome or the initiator of democratization, electoral theories of democratization all predict that democracy should be thriving today. From 1988 onward, not only did elections become significantly more common (see Figure 2), but their overall quality increased substantially (see Figure 3).<sup>3</sup> This trend of the improved quality of elections is corroborated by more recent analyses (Lührmann et al., 2018; Norris, 2014). Therefore, like the structural theories of



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democratization that argue economic growth correlates with democracy, theories that focus predominantly on elections to explain whether or not democratization occurs and persists would also lead us to expect that democracy should be flourishing, not struggling, in the early 21st century.

### International Promoters of Democracy

International democracy promotion has been on the rise since the end of the Cold War, and theories of democracy have increasingly turned to international-level explanations for domestic regime outcomes (Putnam, 1988; Whitehead, 1996). International organizations (IOs), international financial institutions such as the International Monetary Fund (IMF) and the World Bank, and development agencies, such as the United States Agency for International Development (USAID), all engage in democracy promotion to some extent or another (Carothers, 2010).



Figure 2: An increasing proportion of countries held elections after the end of the Cold War.

Source: Flores and Nooruddin (2016, p. 7).

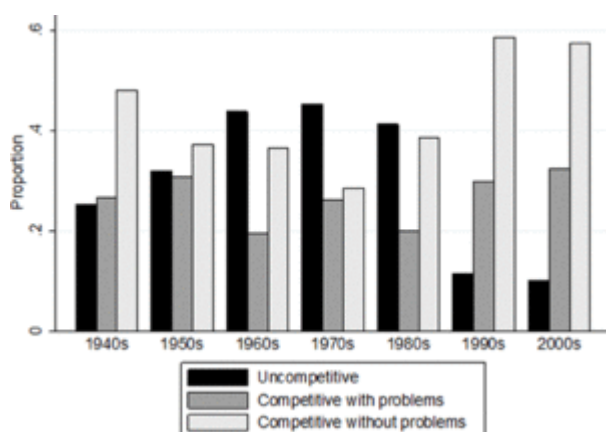


Figure 3: The quality of elections has increased during the electoral boom.

Source: Flores and Nooruddin (2016, p. 9).

Indeed, as Figure 4 shows, the proportion of international organizations that explicitly reference support for democracy, human rights, the rule of law, or some combination of the three in their founding documents has been on the rise since the end of the Cold War (Nygard, 2017; von Borzyskowski & Vabulas, 2019).<sup>4</sup>

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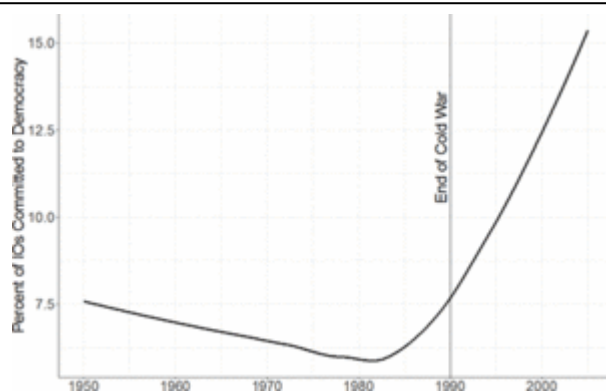


Figure 4: The percent of international organizations committed to democracy grew significantly after the end of the Cold War and continues to rise today (von Borzyskowski & Vabulas, 2019).

Source: Meyerrose (2018).

International actors have largely adhered to electoral theories of democratization when promoting democracy in the developing world, focusing resources predominantly on election monitoring and other support related to elections. Overall, scholars find that IOs, and especially regional organizations, are able to promote and support

transitions to democracy and even democratic consolidation. They achieve these objectives largely by focusing on domestic executives' behavior and incentives, as well as by promoting and monitoring elections. With respect to executives, IOs support democratization through positive and negative conditionality, by influencing leaders' international reputation, and by acting as a commitment device (Beaulieu & Hyde, 2009; Hyde, 2011; Kelley, 2012).

First, IOs can enforce democracy via material incentives that induce governments and incumbents to undertake institutional reforms (Donno, 2013). They also promote democracy by increasing the costs of anti-democratic behavior on the part of leaders via economic sanctions; providing economic assistance to member states, which helps domestic leaders deter rebellions; and by gradually socializing rulers into accepting democratic institutions (Genna & Hiroi, 2014). Indeed, the EU has been cited as the most successful case of democracy promotion via membership conditionality (Dimitrova & Pridham, 2004). In addition to material incentives, IOs promote democracy by influencing democratic leaders' international reputations, either by helping these leaders build an international reputation for being committed to democracy (Poast & Urpelainen, 2018), or by shaming those who violate international electoral norms (Donno, 2013; Hyde, 2011). Finally, IOs promote democracy by serving as commitment devices for leaders in democratizing states, helping them to gain the support of domestic elites and deterring political losers from overthrowing the new regime (Pevehouse, 2005). Similarly, IOs can facilitate peaceful transitions to democracy, relieving the commitment problem between dictators and new democratic governments by constraining the behavior of both the outgoing dictator and that of the new government (Nygard, 2017).

In addition to focusing predominantly on the role of executives in the democratization process, theories of the relationship between IOs and democracy stress the centrality of elections to democracy promotion. For example, it is argued that IOs promote democracy by providing technical assistance to leaders, which often comes in the form of election monitoring (Donno, 2013; Poast & Urpelainen, 2018,). In fact, electoral assistance is the

most common type of democracy assistance from IOs. In the early 1990s, this mostly took the form of monitoring (Hyde, 2011). In the early 21st century, however, the focus shifted to a greater emphasis on technical assistance, oriented toward improving election laws, updating voter registries, and other logistics required for elections (Johnstone & Snyder, 2016) as well as toward investing in civil-society organizations that bolster and support democratic practice (Carothers, 2011).

In short, scholarship on international causes of democracy finds that international actors promote transitions to democracy and even democratic consolidation, and that states in more democratic neighborhoods are more likely to be democratic themselves. According to these theories, democracy today should be thriving, especially in densely democratic regions such as Europe and Latin America. However, many of the states experiencing democratic backsliding are the same states that received international support during their transitions to democracy, and states in democratic neighborhoods are actually found to have lower levels of democracy (Pérez-Liñán & Mainwaring, 2013).

## Return to Basics: Integrating State Building and Democratization

Economic, literacy-based, electoral, and international theories of democratization all struggle to explain why democracy has stalled and in some cases even regressed. In light of the inability of existing theories of democracy to explain developing empirical trends, this article echoes Haggard and Kaufman's (2016) call for a renewed focus on institutions in studies of democratization, and proposes a framework for moving forward that combines research on the importance of institutions for democracy and democratic consolidation with the more recent focus on elections as the primary means of democratization.

The contemporary crisis of democracy is best explained by the fact that elections in the early 21st century are increasingly held in states with weak institutions. Unlike the first and second waves of democracy, third-wave states introduced free and fair elections prior to the establishment of the institutions needed to support a modern state, such as the rule of law, civil society, and the institutional checks that hold governments accountable. By introducing elections without first creating critical institutions, these third-wave democracies democratized backwards (Rose & Shin, 2001). These states' weak institutions, coupled with international economic pressures that diminish the domestic fiscal space required to invest in stronger state capacity, have rendered governments unable to provide public goods to citizens. Unable to provide evidence of policy effectiveness to support their bids for (re-)election, incumbents and politicians undermine checks on executive power between elections and engage in populism during their campaigns in an attempt to retain power. In other words, politicians initiate democratic backsliding. The result is a diminished or illiberal democracy.

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What the past two decades have made abundantly clear is that elections are a necessary but insufficient condition for successful democratic consolidation. In addition to free and fair elections, states also need strong institutions that support democracy. Huntington (1968, p. 7) highlighted this, arguing that “the problem is not to hold elections, but to create organizations.” Examples include political parties, which aggregate citizens’ interests and serve as intermediaries between citizens and the state (Carothers, 2006; Huntington, 1968); independent judiciaries to check executive power (Gibler & Randazzo, 2011; Widner, 2001); basic rule of law; and state capacity (Bäck & Hadenius, 2008; Fortin, 2012; Poast & Urpelainen, 2018).<sup>5</sup> Although all of these institutions are critical for democratic success, the focus here is on state capacity in particular, since effective parties, judiciaries, and rule of law are only possible when they are undergirded by an effective state that can support them (Linz & Stepan, 1996).

One critical aspect of state capacity is the extent to which the government has a monopoly over fiscal matters and economic transactions, and the administrative capacity to handle such matters in an efficient and effective way (Bäck & Hadenius, 2008; Fortin, 2012). In other words, a key aspect of state capacity is related to the state’s control over and management of the domestic fiscal space, and its ability to use these fiscal resources to provide public goods to its citizens. Fiscal space is a function of the government’s ability to collect taxes, generate debt, and spend money on projects and initiatives (Nooruddin & Chhibber, 2008). The revenue that comprises the state’s fiscal space consists of taxes on income, trade, and other economic revenues, as well as non-taxable revenues, such as financial resources from the sale of natural resources and foreign aid.

When states have large fiscal spaces, governments are better equipped to provide public goods, such as infrastructure, subsidies for farmers, and pension systems for its citizens. The extent to which the government effectively uses fiscal resources to provide public goods subsequently becomes a topic of debate during elections, with incumbents—who are rational actors that seek to retain power and political support—using evidence of their policy successes to campaign for re-election. Opposition parties, in turn, advocate alternative ways that they would allocate resources to support citizens, and contest elections based on these varying policy positions. In this scenario, elections are fought along ideological lines, providing meaningful alternatives for voters to choose between regarding future policy outcomes.

However, the domestic fiscal space of states has been shrinking over time (Bastiaens & Rudra, 2018; Flores & Nooruddin, 2016), and elections have been promoted in states that lack institutions strong and capable enough to provide public goods equitably and effectively. This is a result of several factors. First, for 30 years, democracy promoters and theorists have viewed democracy as largely procedural, focusing on elections above all else. As a result, democracy has been promoted in all types of states, even in those with weak institutions that are incapable of providing public goods to citizens, maintaining rule of law, and regulating economic transactions. Second, these already weak institutions have remained underdeveloped due to the growing pressures of globalization. Increased globalization, financial integration, and the current international

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context have severely constrained states' fiscal spaces (Cerny, 1999; Frieden, 1991; Goodman & Pauly, 1993; Rodrik, 1997).

In addition to decreasing the fiscal capacity of governments by encouraging a race to the bottom (Simmons & Elkins, 2004), influencing and restricting states' ability to tax capital (Besley & Persson, 2014; Ha & Rogers, 2017; Wibbels & Arce, 2003), and shifting power from states to markets (Przeworski & Wallerstein, 1988; Strange, 1988), globalization has increasingly tied states' economic policies to requirements from international economic and financial institutions, such as the European Union, the International Monetary Fund, and the World Bank (Cao, 2009; Nooruddin & Simmons, 2006; Nooruddin & Vreeland, 2010; Vreeland, 2003). Membership in and requirements set by these institutions further diminish states' domestic fiscal space by limiting the types of policies domestic political actors can adopt.

When states lack fiscal space, the democratizing effect of elections is diminished, for several reasons. First, limited fiscal space harms democracy via its effect on the electoral strategies adopted by incumbent leaders. In this scenario, the incumbent (and any potential future elected official) lacks the resources to provide public goods. Unable to campaign on policy platforms and support their candidacies with evidence of past governing success, politicians search for alternative ways to appeal to voters and maintain their power. This creates incentives for executives to loosen executive constraints, make institutional changes that weaken the opposition's chances of gaining power, provide private and club goods, and in general undermine democratic practices while they are in office. These attempts to stay in office can also involve the alteration or erosion of institutional checks of executive power (Flores & Nooruddin, 2016), which are critical in order for young democracies to survive (Kapstein & Converse, 2008). As a result, states are at much greater risk of democratic backsliding.

In addition to changing the behavior of incumbents while they are in office, the limited fiscal space also affects the electoral strategies they adopt. Unable to campaign on the basis of policy advances they have made and of competing positions on economic policy matters, incumbents and other politicians have incentives to instead turn to populist appeals and rely on valence issues—such as support for economic growth, nationalism, or opposition to corruption—to appeal to voters. In other words, in states with limited fiscal space, elections are held in a relative ideological void, with negative implications for democracy (Nooruddin & Chhibber, 2008; Flores & Nooruddin, 2016).<sup>6</sup>

In short, this article argues that one explanation for the recent crisis of democracy is linked to the fact that elections are increasingly being held in states with weak institutions, one aspect of which is a limited fiscal space. This limited (and increasingly shrinking) domestic fiscal space is a consequence of globalization. Increased economic trade integration, as well as policy requirements imposed on states by international organizations and international financial institutions, constrain the extent to which states can control their fiscal policies. Recent theories of democratization via elections have overlooked the critical role that strong institutions such as fiscal-policy space play in

promoting long-term democratic quality and progress, and thus are insufficient on their own to explain the recent and increasingly prevalent cases of democratic backsliding and the rise of populism in democracies throughout the world.

## Conclusion and Areas for Future Research

Developing, third-wave democracies face a unique set of state-building challenges that were not present during the first and second waves of democracy. The post-Cold-War emphasis on elections as the primary means of inducing transitions to democracy, which has been dominant for nearly 30 years, has resulted in the existence of a large number of states with divergent economic and historical contexts where mass participation in politics preceded the development of key institutions needed to maintain a functioning modern state. Immediate universal suffrage combined with a rapidly evolving and increasingly demanding and integrated international environment have served to undermine attempts at state-building and institutional development. The result has been incomplete, electoral democracies, many of which are unable to guard against populist politicians and other illiberal trends that further erode fundamental democratic institutions.

These third-wave states are further distinct from earlier democratizing countries in that total democratic collapse is increasingly rare. To date, there has been no overwhelming counter-wave of authoritarian reversion to undermine the third wave; instead, more subtle attacks against democracy are emerging. The recent rise of democratic backsliding, populism, and other more subtle subversions of democracy in developing democracies around the world highlight the inadequacies of current structural, developmental, electoral, international, and information-based theories of democratization and democratic consolidation.

Due to these unprecedented types of transitions to democracy, the drastically different international context in which they occurred, and the unprecedented strategies leaders are adopting to maintain their power, it is critical that future work on democratization, democracy promotion, and the challenges faced by modern democracies adapt. In particular it is crucial for future research on democracy to emphasize the state by considering the institutional prerequisites for democracy, tracing the current impediments to institutional development, and evaluating the consequences of promoting democracy in contexts where the state is weak.

This article has identified one way in which weak institutions, in the form of limited fiscal policy space, have contributed to recent cases of democratic backsliding. Further research that focuses on the role of the state and other institutions that are needed to sustain democracy will provide a much-needed full institutional framework for understanding challenges to modern democracies, and will also contribute to nascent research on democratic backsliding, its causes and, ultimately, ways to guard against it.

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### Notes:

(1.) Rudra (2005) is more positive about globalization's effect on democracy in the developing world.

(2.) Figure 1 measures backsliding among democracies around the world using an original, latent variable-based index constructed to measure this phenomenon specifically. This index, the Democratic Institutional Strength (DIS) index, combines indicators of checks on executive power, representative institutions, judicial independence, human and minority rights, media freedom, executive respect for the constitution, and electoral quality. These indicators are taken from a range of established sources, including Freedom House (Freedom House, 2016), the Varieties of Democracy (V-Dem) data set (Coppedge et al., 2018), and the Polity IV data set (Marshall et al., 2016). The DIS index is highly correlated with existing measures, including Polity (0.89), Freedom House (0.94), and the Liberal Democracy index from the V-Dem data set (0.96).

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Overall, the correlation between the V-Dem variable and the DIS is quite high; however, looking at just the subset of countries the DIS index is specifically designed to measure—countries at risk of backsliding—the correlation drops to 0.88. This suggests the DIS index is a valid measure of democracy, but also incorporates institutional features specific to backsliding. Using the DIS Index, Figure 1 shows the annual percentage of countries in each continent that has experienced backslide. A case is coded as an instance of backsliding if the change from year  $t-5$  to year  $t$  along the DIS index is negative. The figure uses five-year periods, instead of year-to-year changes, since backsliding is an incremental process rather than one that occurs suddenly (Meyerrose, 2018).

(3.) The data on elections illustrated in Figure 2 are from the National Elections across Democracy and Autocracy (NELDA) dataset (Hyde & Marinov, 2012). Following its authors' definition, a competitive executive election is one that determines the head of government (prime minister or president), allows an opposition featuring more than one party, and offers a choice of candidates on the ballots (Hyde & Marinov, 2012). Using these data, Figure 2 traces five-year moving averages to smooth year-to-year shifts depending on the vagaries of national election calendars. Figure 3 also draws on NELDA data (Flores & Nooruddin, 2016).

(4.) Figure 4 is drawn using data from von Borzyskowski and Vabulas (2019) that identifies all international organizations that reference support for either democracy, human rights, or rule of law in their founding charters or other official documents. In total, there are 56 of these organizations. It combines this list with data from the Correlates of War data set on International Organizations (Pevehouse et al., 2016) to calculate the percentage of democratically committed IOs over time.

(5.) Indeed, Bugaric (2015) argues that recent cases of backslide in Central and Eastern Europe are a function of weak rule-of-law institutions in these countries.

(6.) The consequences of the limited fiscal spaces are not limited to elite-level behavior. When states are unable to provide public goods, citizens suffer economically. One effect of this can be increased support for populist politicians on the part of voters (Kriesi & Pappas, 2015, Mudde, 2007). The state's inability to provide basic public goods can also erode citizens' trust in democracy, thereby making populism a more appealing alternative. Indeed, research finds that individual-level support for populism can be attributed to failures of democracy (Conniff, 2012) and perceived crises of democratic legitimacy (Hawkins et al., 2017).

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