

QUALITY OF INSTITUTIONS IN POST-COMMUNIST REGIMES : A COMPARATIVE ANALYSIS

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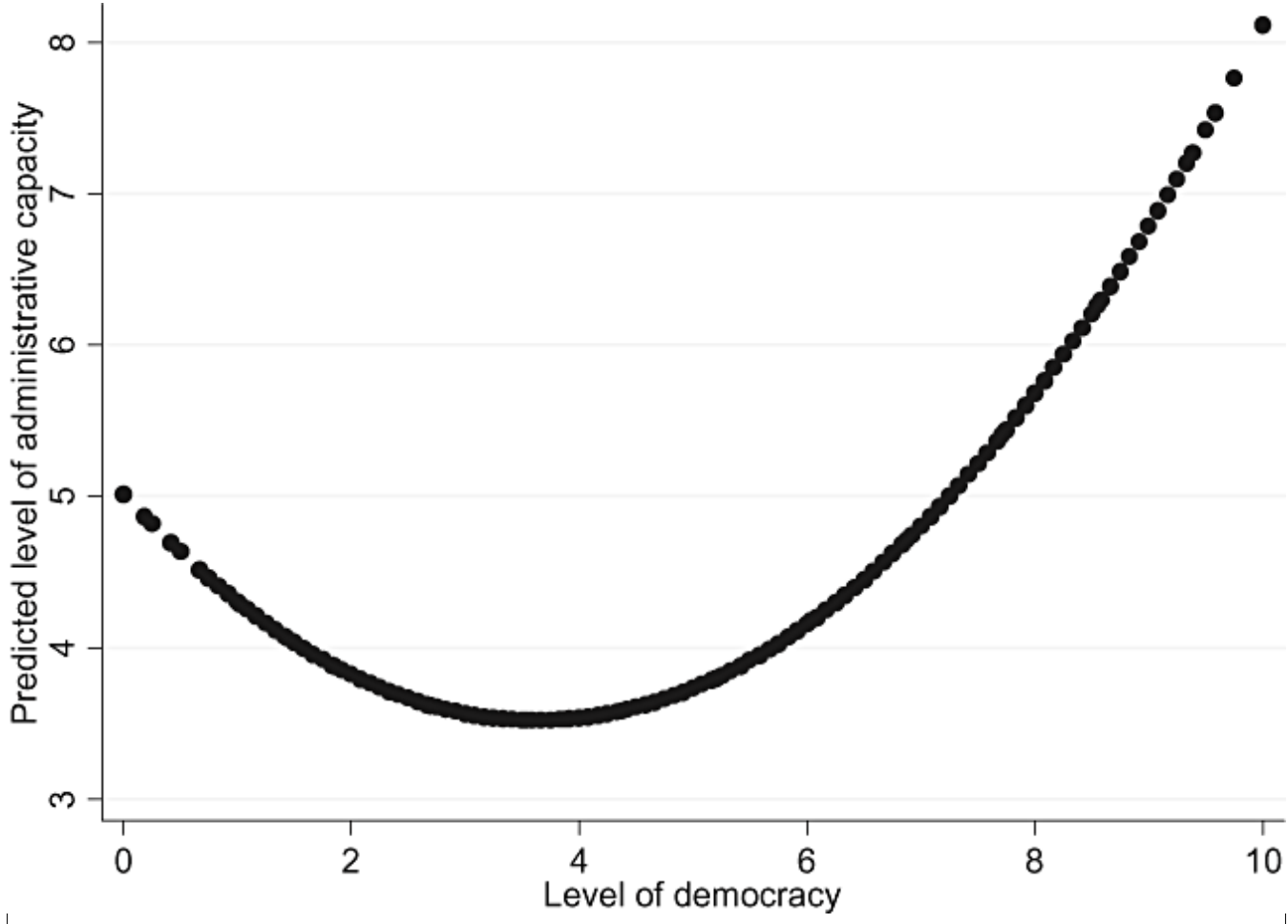
STRUCTURE OF PRESENTATION

- Problem
- Literature
- Empirical evidence
- “King of the Mountain” model
- Strategic choices and payoffs

PROBLEM

- Relationship between quality of institutions, governance and political regime?
- Why “good” institutions in democracies – rule of law, property rights, contract enforcement, control of corruption, effective governance and regulation, etc.?
- *J-curve* argument: governance and quality of institutions best in democracies, but better in autocracies than in hybrid and transitional regimes
- Theoretical background – Tilly 2007, etc. Empirical research – Baeck and Hadenius 2008, Moller and Skaaning 2011, etc.
- How universal is the *J-curve* argument?
- Does it apply to post-communist regimes?

J-CURVE



LITERATURE

- “Perfect” dictatorship? (Dominguez 2002, Besley and Kudamantsu 2007, Magaloni 2008, Gandhi 2008, Egorov, Guriev and Sonin 2009, Charron and Lapuente 2011, Svulik 2012, Boix and Svulik 2013)
 - Economic growth
 - Social security
 - Rotation of power
 - Autocratic accountability
 - Strategy of cooptation
 - Property rights
 - Contract enforcement
 - Effective institutions of governance, etc.
- Motivations for an autocrat to improve institutions of governance?

LITERATURE

- State capacity as resources and institutions of governance (Schmitter 2005; Fukuyama 2007; Hendrix 2010; Charron and Lapuente 2010; Fortin 2010; Hanson 2012; Thompson 2014, etc.)
- “Stateness first!” and the problem of sequencing (Tilly 2007; Baeck and Hadenius 2008; Moller and Skaaning 2011; Fortin 2011, 2012, 2013, etc.)
- Prerequisites of democracy and democratization?
- From “Good Governance” (World Bank) to “Good Enough Governance” (Grindle 2004, 2010; North et al 2007; 2009; 2011, Evans 2012, etc.)

LITERATURE

- “Bad Governance” and “Bad Enough Governance” as a model and reality
- Performance and persistence of authoritarian regimes – is there a direct correlation? (Gerschewski 2013; Roller 2013; McGuire 2013, etc.)
- Governance, quality of institutions and political regime – problem of causality
- World Governance Indicators and Freedom House as empirical sources (with problems)

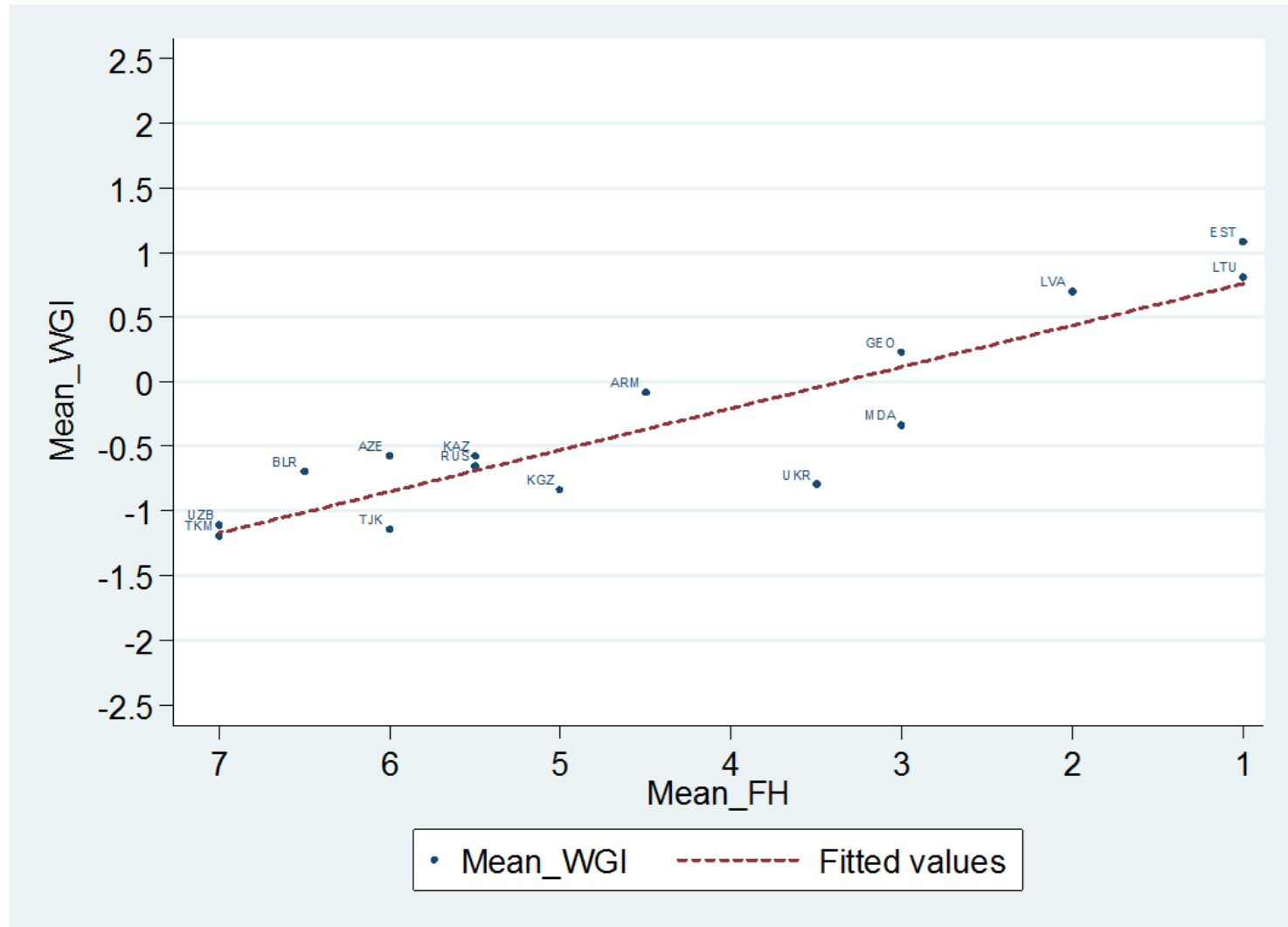
EMPIRICAL EVIDENCE: FH/WGI, 2014 (1)

Country	FH 2014 (Political Rights/Civil Liberties)	Worldwide Governance Indicators 2014 (from + 2.5 to - 2.5)				
		Political Stability & Absence of Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	Not Free					
Turkmenistan	7/7	+0,08	-0,86	-2,09	-1,33	-1,22
Uzbekistan	7/7	-0,23	-0,63	-1,74	-1,08	-1,12
Belarus	7/6	+0,12	-0,50	-1,04	-0,81	-0,32
Azerbaijan	6/6	-0,50	-0,34	-0,29	-0,61	-0,92
Russia	6/6	-0,84	-0,08	-0,40	-0,71	-0,87
Tajikistan	6/6	-0,68	-0,75	-1,01	-0,96	-1,00
Kazakhstan	6/5	+0,05	-0,02	-0,27	-0,55	-0,76

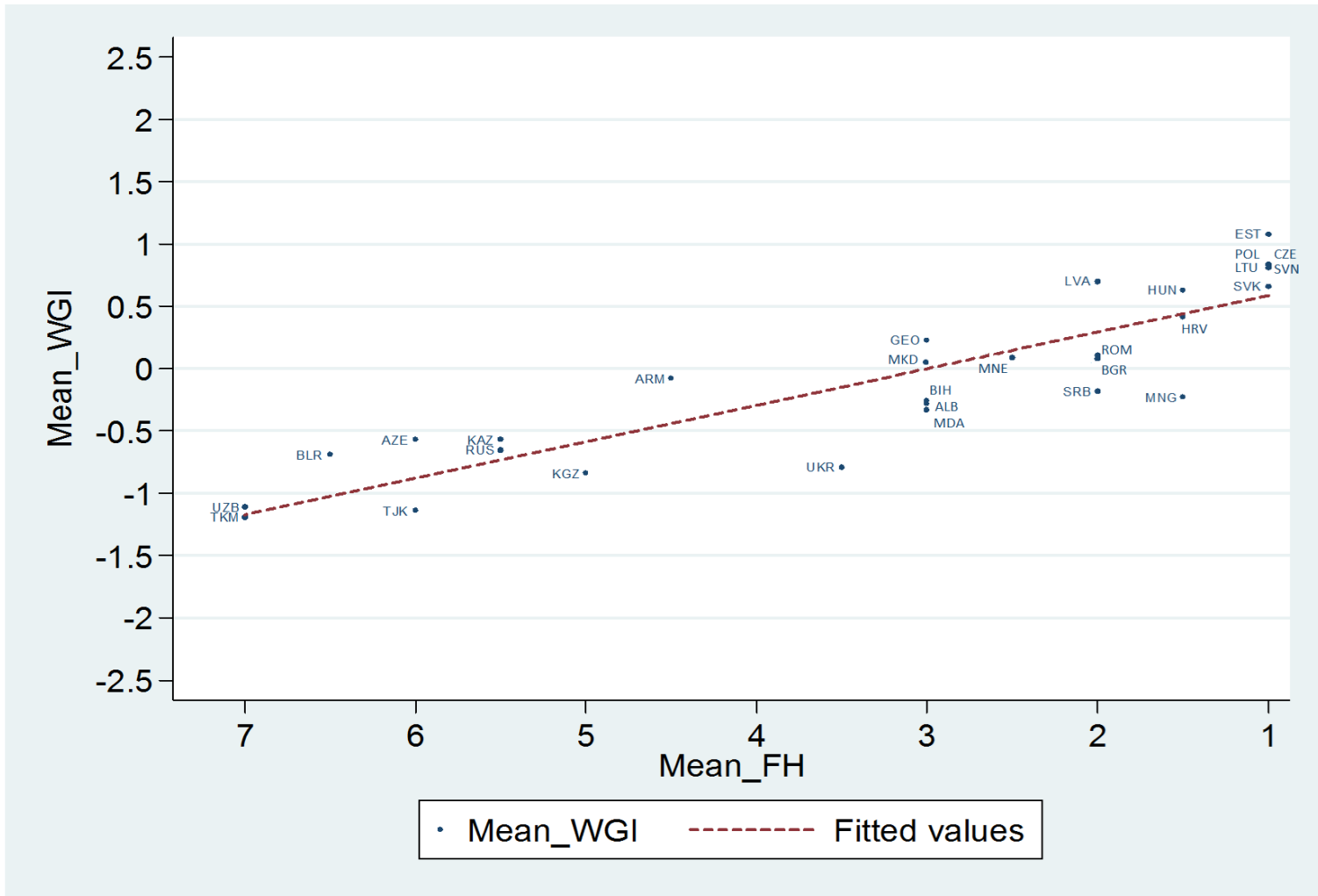
EMPIRICAL EVIDENCE: FH/WGI, 2014 (2)

Country	FH 2014 (Political Rights/Civil Liberties)	Worldwide Governance Indicators 2014 (from + 2.5 to - 2.5)				
		Political Stability & Absence of Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	Partly Free					
Kyrgyz Republic	5/5	-0,78	-0,84	-0,42	-0,94	-1,11
Armenia	5/4	-0,21	-0,17	+0,22	-0,32	-0,44
Georgia	3/3	-0,23	+0,48	+0,93	+0,20	+0,74
Moldova	3/3	-0,10	-0,38	+0,02	-0,27	-0,85
Ukraine	3/3	-1,93	-0,38	-0,63	-0,79	-1,00
	Free					
Latvia	2/2	+0,55	+0,97	+1,17	+0,87	+0,34
Estonia	1/1	+0,76	+1,05	+1,67	+1,36	+1,27
Malta	1/1	+0,50	+0,99	+1,99	+0,91	+0,49

DEMOCRACY/AUTOCRACY AND QUALITY OF INSTITUTIONS IN POST-SOVIET REGIMES, 2014



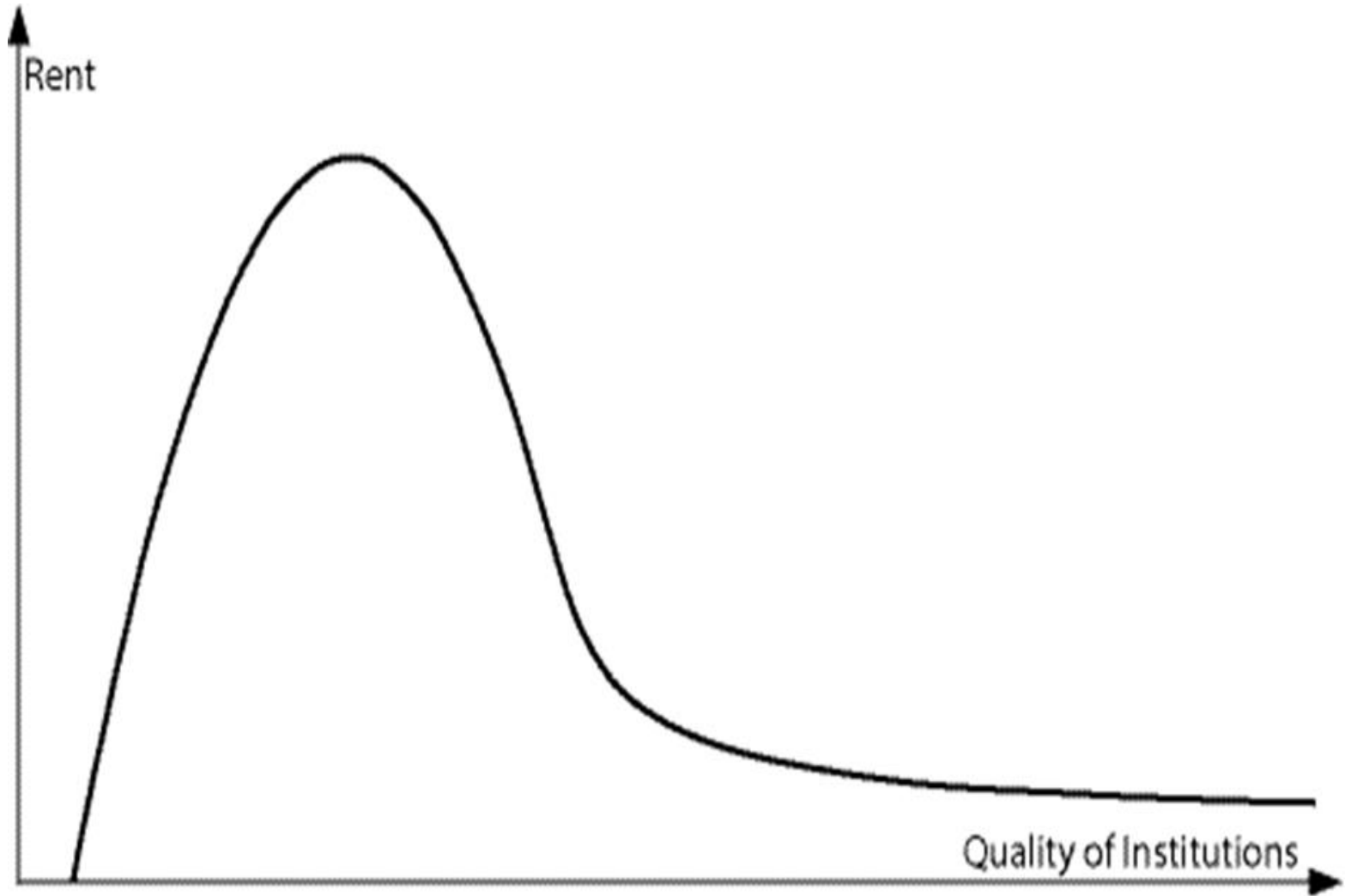
DEMOCRACY/AUTOCRACY AND QUALITY OF INSTITUTIONS IN POST-COMUNIST REGIMES, 2014



PRELIMINARY OBSERVATIONS

- Correlation between democracy/autocracy scores and quality of institutions: the lower democracy scores – the lower governance scores (and vice versa)
- Does not tell us much about causality
- “Not free” Turkmenistan, Uzbekistan, Tajikistan, Belarus, Kazakhstan and Russia – lowest quality of institutions = “Bad Enough Governance”
- “Partly free” : Georgia, Moldova, Armenia and Ukraine – more variation, but better institutions than in autocracies
- No post-communist non-democratic regimes with “good” institutions – no post-communist “Singapore” or “Oman”
- Plausible explanations?

“KING OF THE MOUNTAIN”: POLITICAL AND ECONOMIC RENT VS. QUALITY OF INSTITUTIONS



MODEL OF AUTHORITARIAN EQUILIBRIUM

- Curvilinear relationship between quality of institutions (axis A) and rent extraction (axis B)
- Desired authoritarian equilibrium based on monopoly and guaranteed access to economic and political rent
- The higher rent – the lower institutional quality
- Improvement of institutions endangers political and economic monopoly
- Economic rent – not only oil and natural gas, but also transportation of natural resources, control over finances and financial flows, foreign aid, etc.
- Exogenous but also generated by policy choices
- Most cost efficient way to maximize revenues without improvement of institutions

SPECIFIC CONTRIBUTIONS OF THE MODEL

- Participation in and contribution to political rent as a precondition (with no guarantees) for economic rent extraction - modification of the “Hellman curve” (Hellman 1998) and contribution to discussion
- At least some level of institutional quality is indispensable for rent extraction (nearly impossible in fragile states)
- Institutional trap (“inversion”): “Bad” institutions (“Bad Enough Governance”) are “good” for the “King of the Mountain”
- Status quo: no incentives to improve institutions
- How durable/vulnerable is authoritarian equilibrium?
- Persistence of autocracies with bad performance? What the literature and experience tell us?
- Threats to economic and political monopoly of the “King of the Mountain”?

PERSONALISTIC RULE: OPTIONS AND PROBLEMS

- “Mimicking” democratic institutions
- Informal institutions
- Corporatist practices
- Personification of the “Nation” and “Rally Round the Flag”
- However, the “King of the Mountain” is not a “Sultan” – divisions within the “inner circle”, “black box”, no perfect solution to “Dictator’s dilemma”
- Menu of “soft” and “hard” repressions and cooptation
- Varieties of responses to economic downturns – what is the most rational strategy? “Soft” repressions (lessons from the literature)?
- Rational alternative - decreasing repressions and improving institutions?

THREATS TO ECONOMIC AND POLITICAL MONOPOLY OF THE “KING OF THE MOUNTAIN”

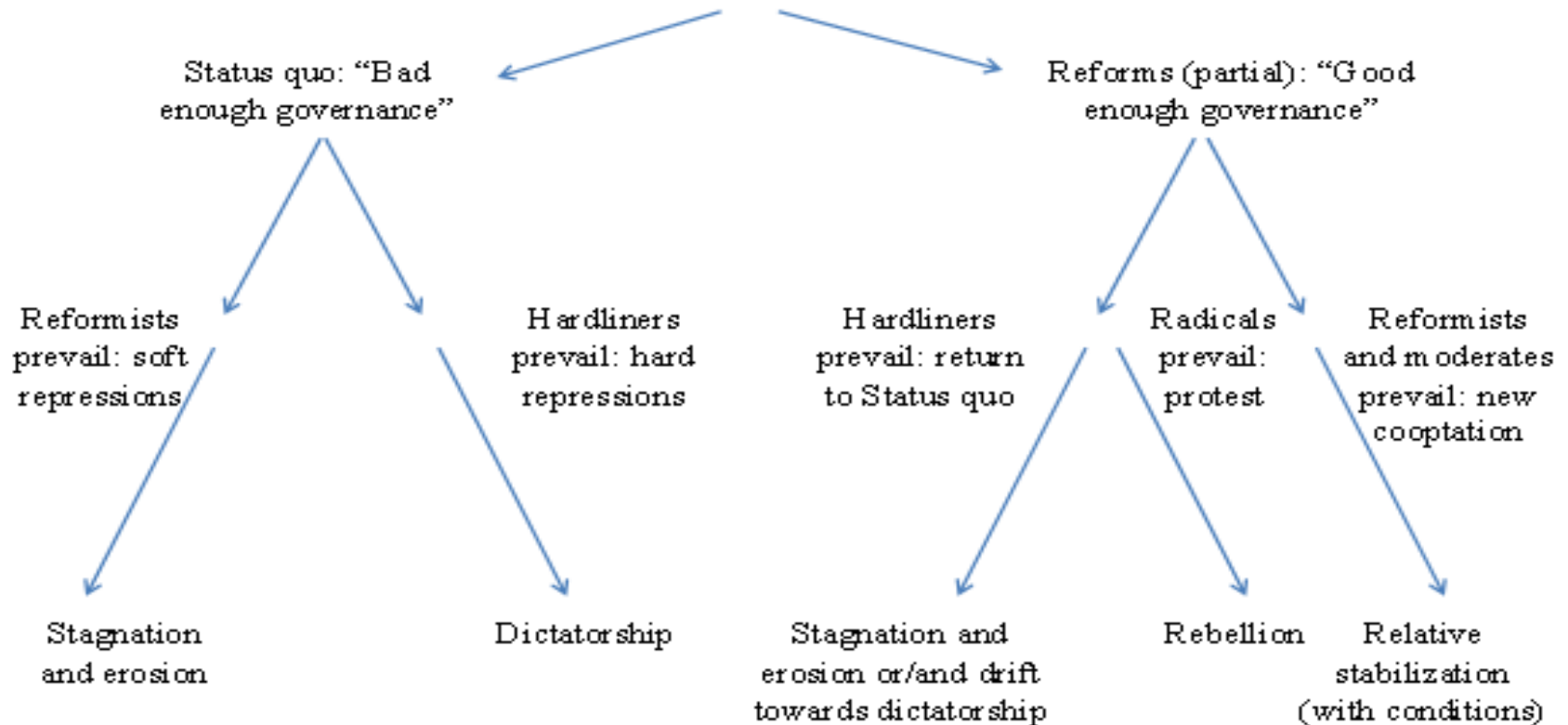
- Variety of exogenous and endogenous factors of vulnerability
- Erosion of the basic sources of economic rent (in the first place – world prices on oil and gas) – primary source of vulnerability
- Weak and corrupted institutions as a long-term menace for monopoly of political and economic rent extraction
- Global influences and externalities (economic interdependence, information transparency, international economic and political orders, sanctions, etc.)
- Domestic turbulence – splits within the ruling elites, emergence of alternative elites, civil society, protest, etc.
- “Hostage of ideology”?
- Strategic choices (theoretically possible)?

STRATEGIC CHOICES

- Theoretically possible options for rational decisions to deviate from the model of authoritarian equilibrium (based on political and economic rent and “bad” institutions)?
- Methodologically: different groups of players within and outside of the regime (Przeworski 1991, O’Donnell and Schmitter 1986, Colomer 2000, Brownlee 2002, etc.)
- “Game of democratization”: “Hardliners” and “Reformists” (regime) – vs. – “Moderates” and “Radicals” (opposition)
- This is another “game” – rational strategies of the ruler’s survival
- Two basic options: (a) to preserve the authoritarian equilibrium of the status quo and “Bad enough governance” or (b) to start partial institutional reforms, which may lead to “Good enough governance”

STRATEGIC CHOICES OF THE “KING OF THE MOUNTAIN”

Strategic choices of the “King of the Mountain”
(vis -a-vis Hardliners/Reformists and Moderates/Radicals)



PAYOFFS

- Status quo strategy -> reformists prevail -> “Bad enough governance” & soft repressions -> stagnation and erosion
- Status quo strategy -> hardliners prevail -> “Bad enough governance” & hard repressions -> dictatorship
- Reforms (partial) strategy -> hardliners prevail -> return to Status quo
- Reforms (partial) strategy -> radicals prevail -> protest -> rebellion
- Reforms (partial) strategy -> reformists and moderates prevail -> “Good enough governance” -> relative stabilization (with conditions)

CONCLUSIONS

- Empirical evidence against universality of the *J-curve* argument
- No post-communist autocracies with high levels of state capacity and quality of institutions
- Cases of post-communist hybrid regimes with higher levels of state capacity and quality of institutions
- “King of the Mountain” as a model of post-communist authoritarian equilibrium based on the monopoly of extraction of political and economic rent
- Strategic choices of the “King of the Mountain” – better payoffs in case of partial improvement of institutions of governance

SOME QUESTIONS

- Institutions and values as factors in regime transformations and transitions – problem of interference
- Institutions and/or policies first? Values and motivations of policy-actors even before they create institutions?
- Role of society and groups as agents of change (or damping/breaking of change)?
- Back to structure – agency debate in a new form?

THANK YOU FOR YOUR ATTENTION

To be continued...

This report was presented at the 5th LCSR International Annual Conference “Cultural and Economic Changes under Cross-national Perspective”.

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