

BEYOND MODERNIZATION THEORY

Daron Acemoglu, Massachusetts Institute of Technology

James A. Robinson, University of Chicago



The question posed by this symposium has a simple answer; no. On average, at least over the past 150 years, there is no tendency for countries to become more democratic as they become more 'modernized' whether in terms of higher levels of income per-capita (Acemoglu, Johnson, Robinson and Yared, (AJRY), 2008), or education (AJRY, 2005). This is a surprising fact given the preponderance of opinion in political science since the days of Lipset (1959) that there was a causal relationship between modernization and development. The existence of such a causal relationship was conjectured because there was and is a strong cross-sectional relationship. It is true that democracy today is much more common in places with high levels of GDP per capita. But this relationship does not prove modernization theory. Maybe democracy causes modernization, not the other way around? Or maybe something else, an omitted variable, causes both modernization and democracy? That this might be so was conjectured long ago by Max Weber when he wrote in the *Protestant Ethic and the Spirit of Capitalism* that.

"Montesquieu says (Esprit des Lois, Book XX, chap. 7) of the English that they "had progressed the farthest of all peoples of the world in three important things: in piety, in commerce, and in freedom". Is it not possible that their commercial superiority and their adaptation to free political institutions are connected in some way with that record of piety which Montesquieu ascribes to them?" (Weber, 1930, p. 11)

Here Weber is specifically arguing that the "commercial superiority" of the

English, for which read "modernization", and their "free political institutions" for which read democracy, at least by the standards of the time, were caused by an omitted variable, "piety".

The simplest way empirically to examine whether, as Weber conjectured, other factors might be causing both GDP per capita and democracy is to eschew cross-sectional comparisons and focus on the "within-variation" and investigate whether as a country grows faster, it becomes more likely to turn democratic. Econometrically, the natural way to do this with cross-national data is to include country fixed effects that absorb any time-invariant characteristics of countries that simultaneously impact modernization, broadly or narrowly construed, and democracy.

The first person to do this, albeit at an informal level, was Guillermo O'Donnell. In his path-breaking book on bureaucratic authoritarianism, O'Donnell (1973) pointed out that there was a big difference between comparing countries and studying them over time and in fact, contra modernization theory, it was the most economically successful Latin American countries that had experienced democratic collapse.

What O'Donnell intuited, turns out to be the general case. Once one looks at the within variation, the picture is very different than what the variation between countries suggests. In fact, there is no correlation between income per-capita and democracy. Modernization doesn't work.

This strategy looks like a simple step empirically, but it is a radical transition from pre-existing knowledge, albeit not always fully appreciated. For example,

modern influential work by Przeworski, Alvarez, Cheibub and Limongi (2000) dismisses O'Donnell's research as having focused on a "distant outlier", even though more recent work shows that he identified the general pattern and that the presumed empirical support for modernization theory is not convincing.

O'Donnell wasn't the only one to recognize the flaws of modernization theory. The classic work of comparative development by Barrington Moore, Moore (1966), also went against the basic tenets of modernization theory by postulating that there were different "paths into the modern world". These involved democracy, fascism and communism. Yet, which one of these radically different political regimes the country ended up with has, according to Moore, nothing to do with modernization, and everything to do with historical conditions impacting both economic development and political regimes. The same is true for the study of comparative political development in Latin America by Collier and Collier (1991).

The type of fixed effects strategy we described above is the simplest approach and far from perfect. It controls only for time-invariant country characteristics potentially impacting modernization and democracy. If instead there are time-varying factors, such as a change in the political power of different social groups that can shape both political development paths and economic outcomes, fixed effects strategies will not estimate the relevant causal effects. AJRY (2008) therefore used a variety of instrumental variables strategies to address this problem. They proposed various sorts of exogenous sources of variation in

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income per capita, such as historical savings rates, or regional growth rates, to solve the problem. These findings all point in the same direction: there is no evidence for modernization theory.

These results show that the presumed support for modernization theory is entirely based on cross-sectional comparisons that do not control for characteristics that simultaneously impact modernization and democracy (AJRY, 2009, also re-visit the existing empirical literature and show why it came to different conclusions using older techniques).

Since these findings were published, several researchers have replicated and confirmed them (see, for example, Moral-Benito, 2013; Cervellati, Jung, Sunde and Vischer, 2014; Bonhomme and Manresa, 2015). But a number of papers, including Bobba and Coviello (2007), Murtin and Wacziarg (2014) and Faria and Montesinos-Yufaargue (2017), claim to find evidence more favorable to the modernization theory. The approach adopted by all of these papers is common: they use the panel data estimator based on Arellano and Bover (1995) and Blundell and Bond (1998). Though this estimator can be useful in situations in which there are problems of “weak instruments”, it is less suited to the context of estimating the impact of income on democracy. This is for two reasons. First, there are no obvious indications that weak instruments are a major problem in this case (specifically, in panel data models, the leading issue is when the lagged dependent variable has a coefficient close to 1, which is never even close to being the case when democracy is the dependent variable of interest). Secondly and more importantly, these estimators are only valid under additional conditions which are unlikely to be satisfied in this context.

In particular, as noted in AJRY (2018, footnote 11), the exclusion restriction imposed by these estimators is that changes in democracy are orthogonal to the fixed effects, which capture factors that create long-run correlation between income and democracy. In fact, AJRY document a strong long-run correlation between the levels of income and democracy, extending beyond the sample used in these studies. This suggests that these Blundell-Bond estimators are showing a positive effect of income and democracy because they are incorrectly capturing the long-run correlation between the level of income and the level of democracy.

These conclusions are confirmed by Moral-Benito (2013) who develops a limited information maximum likelihood estimator that has better small-sample properties than existing moment-based estimators and is less affected by potential weakness in instruments. Moral-Benito then applies this estimator to the AJRY data and confirms that there is no positive impact of income on democracy, and also shows that the additional moment conditions implied by Blundell-Bond estimators are rejected in the data, thus verifying the argument in AJRY that these estimators are not well suited to the problem at hand.

The results we have been emphasizing estimate the average effects of modernization on democracy. They leave open as to whether there could be “heterogeneous effects” – modernization could impact democracy in some specific circumstances. This would lead to a type of “conditional modernization theory” and Cervellati, Jung, Sunde and Vischer (2014) and Treisman (2015) have proposed various ideas along these lines. For example, Cervellati et al. find that there is a positive association between economic growth and democracy

among countries that were not colonies, but a negative association for those that were former European colonies. This contrasting patterns are clearly at odds with the essential precept of modernization theory. But perhaps conditional on not being a colony, the forces emphasized by modernization theory are operational?

We believe that even a conditional modernization theory is not the right way to think about the data. Instead, we have to understand the divergent political development paths of countries. To see what we mean by this, let us follow AJRY (2008), and extend the investigation of the relationship between GDP and democracy all the way back to the early modern period, say 1500. At this point, of course no society was democratic. But also, this was before the “Great Divergence”, before countries all around the world started diverging economically and had fairly similar levels of income per capita. So in the intervening five centuries, some countries, such as many in Western Europe and North America, simultaneously increased their income levels much more than others and also became more democratic than others. Is this modernization theory in action? Not really. Instead, this long divergence is a reflection of their different political development paths. It isn't that their growth is causing their democratizations. Rather, these countries embarked on a type of development that created more “inclusive” institutions (using the terminology from Acemoglu and Robinson, 2012), which involved the establishment of a range of political arrangements, including democracy, undergirding these inclusive institutions and simultaneously enabling more rapid economic growth.

AJRY (2008) already provided some support for this perspective by showing

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that former European colonies that had lower mortality risk for Europeans (following Acemoglu, Johnson and Robinson (2001)) and lower population densities (following Acemoglu, Johnson and Robinson (2002)) were more likely to embark on a development path favoring modernization and democracy than other colonies, because these characteristics made it less likely for Europeans to pursue the most extractive colonization strategies. In other contexts, however, where the disease environment was adverse (such as in West Africa – the “white man’s graveyard”) or where there were large densities of indigenous populations to exploit, as in much of Latin America, extractive societies emerged focused on the exploitation of indigenous peoples or natural resources.

In this perspective the initial conditions created inclusive or extractive institutions which then put the societies onto very different long run paths of income per-capita, modernization and development.

But how do we conceptualize these institutions? Can we say something at a deeper level about the essence of the societies whose institutions created poverty and the absence of democracy?

One way of thinking about this in the Latin American case, is in terms of the prevalence of “dominance” in the creation of its societies. Our concept is the same as the political philosopher Philip Pettit (1999) who argues that dominance occurs when you “live at the mercy of another, having to live in a manner that leaves you vulnerable to some ill that the other is in a position arbitrarily to impose.” Dominance is the lot of “the wife finds herself in a position where her husband can beat her at will, and without any possibility of redress; by the employee who

dare not raise a complaint against an employer, and who is vulnerable to a range of abuses ... that the employer may choose to perpetrate; by the debtor who has to depend on the grace of the moneylender, or the bank official, for avoiding utter destitution and ruin.” Citizens in such a society “live in the shadow of the other’s presence, even if no arm is raised against them. They live in uncertainty about the other’s reactions and in need of keeping a weather eye open for the other’s moods ... They find themselves ... unable to look the other in the eye, and where they may even be forced to fawn or toady or flatter in the attempt to ingratiate themselves.”

You don’t have to look far in Latin America to find dominance. A good example is the life story of Rigoberta Menchú, an indigenous Guatemalan woman.¹ Born in 1959, the *coffee fincas*, the large plantations in the mountains along the Pacific coast became her life. She recalled “From when I was very tiny, my mother used to take me down to the *finca*, wrapped in a shawl on her back.” She started work there when she was eight years old. She asked her mother; “Why do we go to the *finca*?” And my mother used to say; ‘Because we have to.’”

Rigoberta paints a disturbing picture of the initial meeting with the absentee landowner; “He was very fat, well dressed and even had a watch. We didn’t know about watches then”. Rigoberta had neither shoes nor a watch (it was the 1970s!). The landowner “was accompanied by about fifteen soldiers ... The overseer said, ‘Some of you have to dance for the owner’”

¹ There is a controversy about the veracity of Menchú’s memoir (see Stoll, 2007). Nevertheless, the disagreements do not concern any of the issues we discuss here (see the assessment of the debate by Grandin, 2010).

... The landowner was speaking, and the overseer started translating what he was saying. They told us we all had to go and make a mark on a piece of paper ... We all went to make our mark on the paper ... I remember that the paper had some squares with three or four drawings on it ... He warned us that anyone who didn’t mark the paper would be thrown out of work [and] not paid.” This was how elections took place. Afterwards “The landowner left, but ... I dreamed about him over and over again ... it must have been the fear, the impression made on me by the man’s face ... all the children ran away ... and cried ... at the soldiers and weapons. They thought they were going to kill their parents. I thought so too. I thought they were going to kill everybody.” Rigoberta’s harrowing book ends with her mother, father and brother all being murdered.

The importance of dominance in Latin America is that it was institutionalized; into a hierarchy of *castas* (“casts”) which defined who dominated whom; into legal systems that gave different rights to different casts enshrining the absence of the rule of law; into differences in economic opportunities; even to differences in the types of clothes one could wear (Jackson, 1999). The best visual depictions of this institutionalized dominance are the *Casta* paintings of colonial Mexico (New Spain). We reproduce one in Figure 1. These paintings display the complex hierarchy of peoples that comprised Spanish colonial America.

There were four main categories. Peninsular, a Spaniard born in Spain; Criollo, a person of Spanish descent born in the New World; Indio, a person who is descendent of the original inhabitants of the Americas; Negro, a person of black African origin. These four categories could be mixed in many

Figure 1: Detail from a Casta Painting



possible ways so that by the end of the colonial period almost 100 different types of “mixtures” were recognized (Katzew, 2004).

The organization of colonial society by castas had profound economic and political effects. Economic opportunities or basic legal rights were tied to caste. As (Caldas, 2014, p. 8) puts it

“The procurement of rights and benefits was an important concern for the New Spanish population, as the authentication of one’s affiliation with a casta group determined the advantages, or disadvantages, in the socio-economic sphere.”

The vast mass of people were excluded from economic incentives or opportunities, a recipe for lack of investment, innovation and poverty. In the political sphere political rights were narrowly concentrated making an “elective affinity” between a society of castes and dictatorship.

This society of castes and dominance has persisted to a remarkable extent in Latin America. Distinct *de jure* legal rules for indigenous peoples lasted until 1945 in Guatemala (1952 in Bolivia) and they lived on after this *de facto*, as we have seen. The absence of a rule of law for all is still characteristic of Latin America (see Mendez, O’Donnell and Pinheiro, 1999). In Mexico today, for example, there is the concept of an *amparo*. The *amparo*, literally “protection”, is a legal instrument that allows an individual to claim that a particular law does not apply to them. The absence of the rule of law became institutionalized in the legal system! The absence of the rule of law in Colombia was vividly illustrated in 2013 when it came to light that the law firm of Brigard and Urrutia, one of whose partners was Colombia’s ambassador to the United States, had helped to create dozens of shell companies to game the countries’ land reform laws. The result was the illegal purchase of vast amounts of valuable agricultural lands in the eastern plains. One of the winners was Luis Carlos Sarmiento, Colombia’s richest man,

who ended up with 16,000 hectares of land supposedly reserved for peasants. A journalist on La W radio station asked a lawyer from Brigard and Urrutia

“The question is: did you have to “stretch” the law so you could buy and keep the land?

Brigard and Urrutia: The law is there to be interpreted. Here they are not white or black, they are there to be interpreted ... we assumed one which we think is correct (interpretation of the law).”

In Colombia the law is not “white or black”, it is to be manipulated, mostly by elites, since the notion of a rule of law is an anathema. In colonial Latin America the adage “obedezco pero no cumplo” - I obey but I do not comply – characterized the relationship between elites and the colonial state (see Melo, 2012, on the history of this in Colombia, and Robinson, 2016, for other examples). That’s still the way elites see things today, a fact which chimes with a great deal of empirical

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work in social psychology suggesting that elites are less pro-social and more likely to break rules than non-elites (see Piff and Robinson, 2017). When confronted with a violation of the law, a Colombian's elite's response is: you don't know who I am! (Robinson, 2017).

It is the structure of dominance and its legacies that have shaped Latin America's political development path, and simultaneously impeded economic growth and made it so difficult to build democracy. In principle, one could imagine mechanisms via which economic development and modernization impact democracy. But that is neither what the data nor the historical record show.

It is time for political scientists to look elsewhere and develop a better understanding of one of their key concepts.

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